

# Getting it right, putting it right

## improving decision-making and appeals in social security benefits



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 1142 Session 2002-2003: 7 November 2003

# executive summary

- 1 The Department for Work and Pensions make millions of benefit decisions every year and revise them when customer circumstances change, if appropriate. In the great majority of cases customers accept the decisions on their applications. Decisions are looked at again (reconsidered) when customers dispute them and may be changed. Some 230,000 decisions a year (around 1 per cent) end in an appeal tribunal. Of these, around 40 per cent are changed in favour of the customer.
- 2 Many benefit decisions are complex, involving examination of evidence from different sources and interpretation of complex legal rules. This work is carried out by a large number of front-line staff within Jobcentre Plus, The Pension Service and the Disability and Carers Service. While getting the decision right and demonstrating this to the customer is a key aspect, making the decision in good time and improving other aspects of customer service are also important drivers for performance.



- 3 In 1999, the Department implemented major changes to their arrangements for decision-making and appeals under the Social Security Act 1998. This was part of efforts to modernise the service and came against a background of lengthy waits for appeals and continuing reports of errors in decisions. The changes included the abolition of the independent Chief Adjudication Officer, who had been responsible for the standards of decision-making and whose role was transferred to the Department's own agency chief executives. The Department implemented the changes to timetable and estimate they cost £62 million.
- 4 Against this background, we examined the overall impact of the changes to decision-making and appeals arrangements, and the effectiveness of arrangements in two major benefits: Jobseeker's Allowance and Disability Living Allowance. We chose these benefits because they affect a large number of people - some 1 million and 2.4 million respectively - and have contrasting methods of delivery and evidence requirements.

- 5 To compile the report, we analysed performance data collected by the Department and identified illustrative case studies by examining customer files and interviewing a sample of customers. We visited a variety of departmental offices, consulted welfare rights advisers from Citizens' Advice and other groups, and carried out a survey of a representative sample of 340 offices involved in delivering Jobseeker's Allowance. The report does not cover arrangements for decision-making and appeals in Housing Benefit and Council Tax Benefit (which are administered by local authorities), tax credits (which are administered by the Inland Revenue), or Child Support Assessments (handled by the Child Support Agency). Our methodology is described in detail at Appendix 2.

## Performance on payment accuracy, case clearance times and decision-making

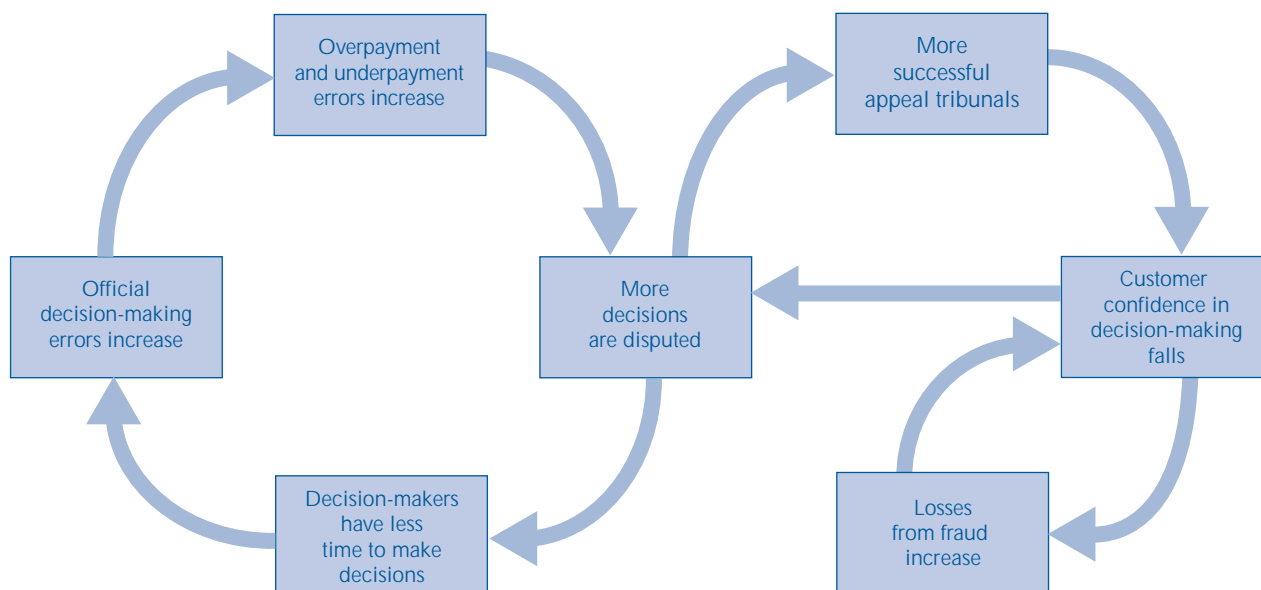
- 6 Payment accuracy has improved in four out of the five benefits for which it is measured and clearance times have reduced for most of the major benefits. Overall, around a fifth of benefit decisions contain errors of some kind, although not all will result in a payment error (Figure 2).

### 2 Not all decision errors result in the wrong payment, because:

- the right decision, and therefore the right payment, may be made for the wrong reasons or without sufficient evidence;
- a wrong decision may lead to the same payment as the right one where, for example, different entitlements are paid at the same rate; and
- "payment accuracy" can in some cases be simply a measure of the administrative accuracy of payments to the customer following a decision (regardless of the correctness of that decision).

- 7 Official and customer errors cost the Department an estimated £1 billion in 2001-02 in terms of the net overpayment of benefits. Dealing with disputes about decisions is also costly. The Appeals Service, established in 2000, spends some £63 million a year. Handling appeals against Disability Living Allowance decisions before they reach the Appeals Service costs £6 million a year, while handling Jobseeker's Allowance appeals costs a further £2 million. The cost of handling an appeal can be at least four times that of reconsidering the case internally. Incorrect decision-making also costs customers money and may deprive them of benefit altogether.
- 8 The level of error in benefit decision-making is also a reputational risk for the Department and the social security system. For example, in our discussions with welfare rights groups they argued that a high level of errors can generate a lack of trust among customers and their advisers in the Department's decision-making and contribute to the levels of disputes and appeals (Figure 3).

### 3 Decision-making quality has direct and indirect financial effects

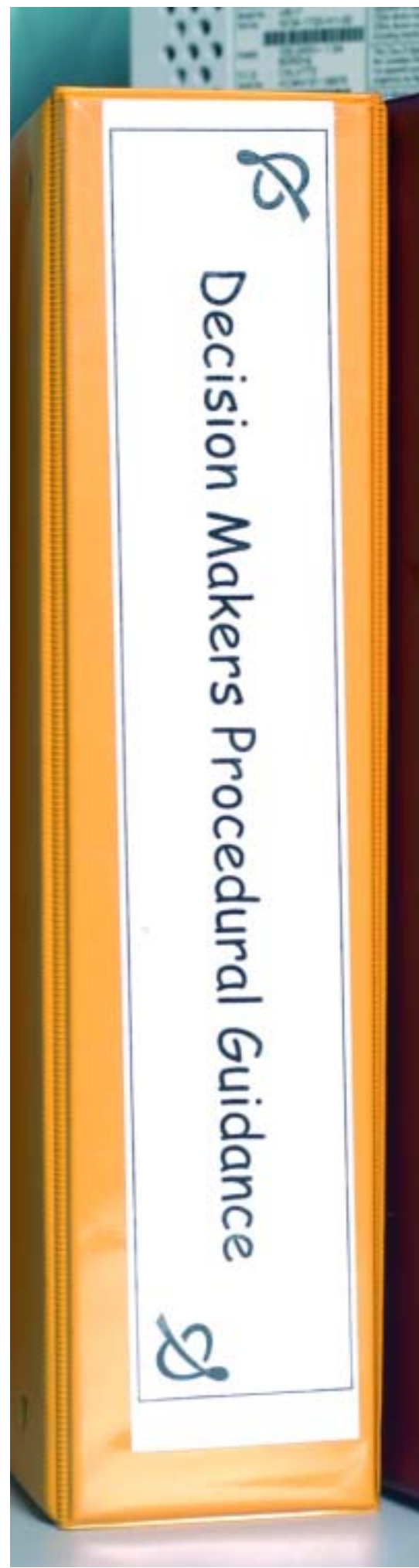


Source: National Audit Office

## The impact of the reforms and continuing improvements

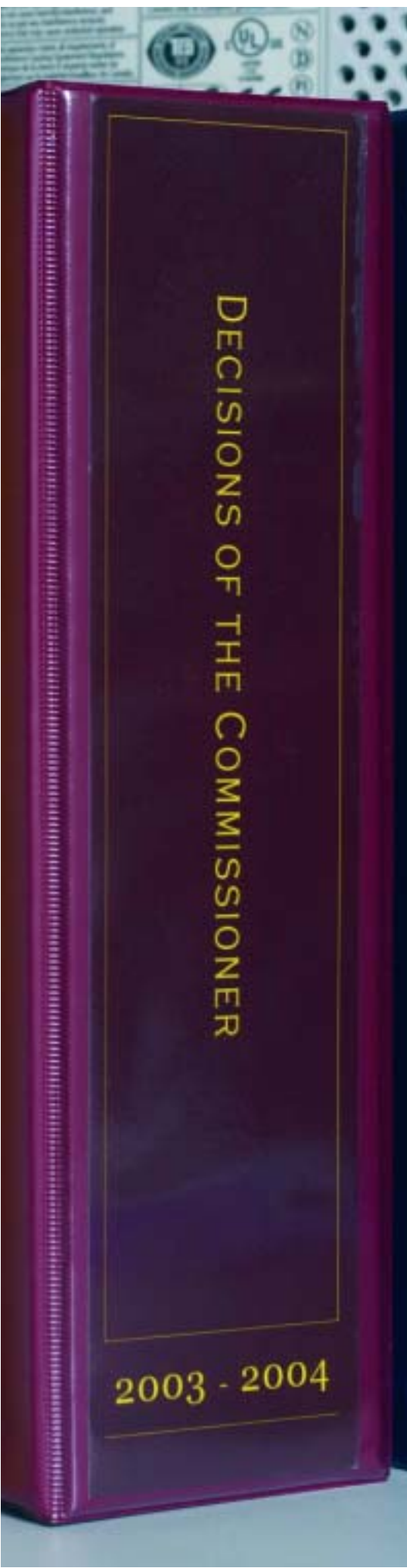
- 9 The 1998 reforms were an ambitious set of changes to decision-making and appeals (Appendix 1) and also expected to facilitate cultural change and improve the quality of service to customers, through better explanation of decisions and by using opportunities to correct decisions without the need for a formal appeal. The expected drop in appeals overall of around 15 to 20 per cent, with associated cost savings (Figure 13), has been achieved, although there has been an increase in the number of appeals in Disability Living Allowance to around 90,000 in 2002-03, compared with around 50,000 before the reforms. Among the reasons for this outlined in paragraphs 2.24 - 2.26 are the removal of the statutory review and welfare groups encouraging claimants to appeal. The reduction in the overall clearance time for appeals has not been significant and the average stands at around 26 weeks.
- 10 The Department have made progress against their high-level targets for the accuracy of benefit *payments* and the time taken to clear cases. They have also improved the quality of service during customers' visits to their offices. At the same time, the data reported by the Department (Figure 10) shows scope for improvement in the quality of decision-making for certain benefits. We consider that, while they do not figure explicitly in high-level targets, good decision-making standards are inextricably linked with making accurate payments and satisfying customers. The Department could do more to make that link, in their measurement and management of performance.

- 11 In addition, there are difficulties in making changes to IT and standard customer letters. Further improvement in the training and experience of front-line staff would ensure customers are referred to the most appropriate person for a detailed explanation. The Adjudication and Constitutional Issues Division within the Department have now made improvements in providing advice and guidance to decision-makers.
- 12 In a number of benefits, decision-making can involve a considerable degree of judgement and needs to be clearly explained to customers to ensure that all appropriate evidence has been obtained and properly interpreted. Moreover, as the Committee of Public Accounts reported in July 2003<sup>1</sup>, the complexity, especially of the means-tested benefits, which stems from regulations designed to tailor them to individual need, increases the risk of errors as well as fraud.
- 13 In 2002, the Department created Jobcentre Plus, which includes a major programme of change in buildings, business processes and providing IT for all staff, with intranet access to benefit guidance. These changes should help to bring about the cultural change and improved decision-making that the reforms alone could not achieve. The replacement of the Department's Customer Management and Evidence Gathering Systems should help reduce errors in decision-making and improve communication with customers.
- 14 The Department have established arrangements for monitoring and reporting on standards of decision-making. We consider they could make better use of the Standards Committee, and improve the published performance information. The Department have accepted that the information reported externally thus far<sup>2</sup> has been late, and are taking steps to improve future published reports.



<sup>1</sup> *Tackling Benefit Fraud, Committee of Public Accounts: thirty-first report, 2002-03 (HC 488).*

<sup>2</sup> *Department for Work and Pensions (2002, 2003) Secretary of State's reports on the standards of decision-making in the Benefits Agency, Child Support Agency and Employment Service.*



## Disability Living Allowance

- 15 Disability Living Allowance requires complex decisions, involving a high degree of judgement and the interpretation of detailed medical evidence. Around one in twelve decisions result in appeal tribunal hearings, with more than half of these decided in the customer's favour. Following the 1998 reforms, appeals numbers increased significantly when the mandatory review of all decisions was discontinued, and they have remained high. Based on 2001-02 figures, errors continue to be found in more than one-third of cases, including those that are being looked at for a second time, and key evidence often does not emerge until the case reaches an appeal hearing. While the Department have taken steps to improve the quality and interpretation of medical evidence, more needs to be done.
- 16 The key to improving decision-making in this benefit is obtaining the right kind of evidence about the customer's own circumstances and not simply their disability. Efforts have been hindered by poor IT, long and confusing forms, and a lack of contact between decision-makers and customers, who are dealt with by post. In addition to the guidance work of their Adjudication and Constitutional Issues Division, the Department are now trialling a range of approaches to clarify the decision-making process for both customers and staff, including improved reconsiderations and more telephone contact with customers. The National Audit Office estimate that if, over the next five years, the Department could reduce by 25 per cent the number of these cases that need to go to a tribunal, by putting more decisions right on a second look and with the help of new IT systems, they could expect to save £4 million a year.

## Jobseeker's Allowance

- 17 Jobseeker's Allowance is administered through a network of over 1,400 regional, local and district offices. Entitlement is based on conditions relating to both financial eligibility and also whether the customer is available for, and seeking, work. Until recently, these two aspects were administered separately by the Benefits Agency and the Employment Service, which respectively prioritised speed and accuracy of payments, and placing customers into jobs. They are now both the responsibility of Jobcentre Plus. Payment accuracy has improved but there is scope to improve decision quality. There is also some regional variation which suggests scope for lessons to be learned from the best-performing regions. This is one of a number of areas for improvement which Jobcentre Plus is addressing in its reorganisation. Relatively few Jobseeker's Allowance decisions reach a tribunal.



- 18 Jobcentre Plus aims to achieve cultural change within the organisation and a seamless national service. In doing so, it should draw on many good practices at local level. Setting national standards for improving decision-making and appeals would not only reduce service variations but could also contribute to reducing fraud and improving jobseeking customers' compliance with the Government's requirements, by reducing customers' perception that the benefit system is open to abuse.
- 19 Jobcentre Plus are planning efficiency initiatives which could save £3 million a year and improve the handling of disputed cases. The National Audit Office estimate that, if they could put right ten per cent more decisions without an appeal tribunal, they could save an additional £1.1 million a year across all their benefits.

## The handling of appeals

- 20 The creation of the new Appeals Service in 2000 has led to significant improvements in the speed and quality of service from that Agency to customers who are disputing a decision. If they are to achieve substantial reductions in the average six month end-to-end time for an appeal, the Department's agencies need to focus on reducing preparation time for submitting cases to the Appeals Service, which currently varies considerably. Centrally, both Jobcentre Plus and the Disability and Carers Service are now focusing on this. The Department's Adjudication and Constitutional Issues Division handles higher appeals to the Social Security Commissioners and is exceeding its clearance targets. Waiting times for these higher appeals have also reduced.

## The future

- 21 The changes brought in with the 1998 legislation have put the Department in a good position to get more decisions right first time, explain them effectively to customers and put more right without an appeal. Further improvements in these areas could bring the Department financial savings in administrative costs (Figure 4), although there would need to be some additional expenditure to achieve them (e.g. on reorganising teams, improving training and IT improvements). The net effects on administrative and programme costs are difficult to determine, and have not been included in Table 4 below.



#### 4 Potential for annual savings by improving decision-making and appeals

Area for savings	Estimated annual potential savings	Possible methods of achieving
Reduction by 25 per cent over five years in the number of Disability Living Allowance claims that go to appeal tribunals	£ 4 million	<ul style="list-style-type: none"> <li>■ More pre-checks on quality before decisions are finalised</li> <li>■ Improve quality, relevance and reliability of evidence gathered from customers, medical reports and other sources</li> <li>■ Make more effective use of the reconsideration stage</li> </ul>
Efficiency savings through creation of teams to handle Jobcentre Plus appeals	£ 1 million	<ul style="list-style-type: none"> <li>■ Centralisation of staff handling Jobcentre Plus appeals into teams (already planned)</li> </ul>
Removal of duplication of reconsideration work in Jobcentre Plus benefits	£ 2 million	<ul style="list-style-type: none"> <li>■ Transfer all reconsideration work to appeals teams (already planned)</li> </ul>
Reduction of ten per cent in tribunals for Jobcentre Plus benefits	£ 1.1 million	<ul style="list-style-type: none"> <li>■ More pre-checks on quality before decisions are finalised</li> <li>■ Improve communication of the reasons for decisions to customers</li> <li>■ Make more effective use of the reconsideration stage</li> <li>■ Improve consistency across the country in the identification of doubts about eligibility where a decision is needed</li> </ul>
Total	£ 8.1 million	

- 22 In advance of this, there is scope to make significant improvements in decision-making and related customer service by further sharing of good practices and reducing variations. There is also a need to communicate the desire for change to staff, through national quality standards, leadership and guidance, and to customers and their advisers, through greater openness about the current standards and targets for improvement. Our recommendations suggest ways in which the Department can address these issues.



# Recommendations



*The Department have taken important steps to improve the quality of decision-making and appeals, but standards remain a concern. In the medium term there remain obstacles, in the form of inadequate IT and over-complex benefits, to achieving the improvements required. The Department are now planning to address the IT issues. The National Audit Office's recommendations show how the Department could integrate improvements in decision-making quality with broader organisational changes and begin to achieve the savings outlined above.*

*The Department have advised us that they welcome the report and its consideration of the issues. They now need to consider how to take forward this work as an integral part of the existing change programme.*



- 1 **The Department should further develop the skills of all their decision-makers through enhancing existing feedback and on-the-job training.** Enhancements might include more frequent rotation where possible between initial decision, reconsideration and appeal stages, support and training in customer communication, a programme of secondments to central guidance and checking teams, and joint training activities with welfare rights representatives and local tribunal members (paragraphs 2.17-2.18, 3.8-3.9, 3.15-3.16, 3.21).
- 2 **The Department should investigate and reduce the variations in treatment of cases across the country where benefits are locally administered (e.g. identification of doubts about eligibility for Jobseeker's Allowance).** Such inconsistencies can contribute to a lack of confidence in the benefits system. To achieve a consistent approach, the Department should provide new national good practice guidance and monitor trends over time and by region (paragraphs 3.17-3.18).
- 3 **The Department should set minimum standards in all benefits for the process of looking at a decision again, to which all offices are expected to adhere, and communicate these to customers.** Standards should include a maximum waiting time, and a stipulation that decisions are re-examined by a different decision-maker. While amending standard customer letters may prove difficult until computer systems are replaced, communication of the service standards could be achieved by improving the training of frontline staff and clearly stating the standards in posters, leaflets and other customer communications (paragraphs 2.28-2.31, 3.26-3.30).
- 4 **The Department should increase, where there are benefits to doing so, the proportion of decisions that are pre-checked, to reduce the number of errors and hence appeals.** Investing more time in identifying wrong decisions early should provide both a better service to customers, by reducing the need for lengthy and stressful appeals, and a more cost-effective use of resources. The proportion of decisions pre-checked should depend on the incidence of errors found and may vary depending on the decision type, the benefit, the office and the member of staff (paragraphs 2.28-2.31, 3.20, 3.27).

- 5 **The Disability and Carers Service should make more effective use of personal communication with customers to collect initial or follow-up evidence on Disability Living Allowance and Attendance Allowance claims.** This could improve the quality of communication with customers, improve staff skills and contribute to a reduction in the need for appeals. The Department should evaluate the likely costs and benefits of different forms of direct communication (paragraphs 2.8-2.12).
- 6 **The Department should consider implementing a "spend-to-save" scheme to send a presenting officer to all complex appeal tribunals, to represent them, to advise the tribunal and to provide direct feedback to decision-makers.** Along with efforts detailed elsewhere to reduce the number of unnecessary appeals by putting more decisions right earlier, this could have a positive effect on both administrative and programme costs (paragraphs 4.20-4.22).
- 7 **The Department should reduce the geographical variations in the time taken to prepare appeals submissions, in order to provide a consistent and improved level of service for all customers.** They should set appropriate national standards covering quality as well as time, so that faster does not mean lower quality. These service standards should be communicated to customers and supported by matching resources to workloads (paragraphs 4.7-4.9).
- 8 **The Department should implement the published recommendations of the Comptroller and Auditor General with respect to improving the range, design and level of detail in the Secretary of State's report on standards of decision-making.** This should improve the accountability of the arrangements and provide a balanced picture of the accuracy, speed and consistency of performance (paragraph 1.28, Figure 15).
- 9 **The Department should publish in full the annual reports and work programmes of the Standards Committee.** This will demonstrate their commitment to improving decision-making standards and the independence of the monitoring arrangements (paragraphs 1.22-1.23).
- 10 **The Department should produce an action plan for achieving improvements to decision-making and appeals, including measures for the long, medium and short terms.** The action plan should be used by the Standards Committee to monitor and report progress.

