

**AUDIT  
BOARD**

**21st June 2012**

**BENEFITS INVESTIGATIONS APRIL 2011 - MARCH 2012**

Relevant Portfolio Holder	Councillor Roger Hollingworth, Portfolio Holder for Finance, Partnerships and Economic Development
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	NA
<del>Key Decision</del> / Non-Key Decision	

**1. SUMMARY OF PROPOSALS**

To advise Members on the performance of the Benefits Services Fraud Investigation service.

**2. RECOMMENDATIONS**

**The Board is asked to RESOLVE that**  
**subject to any comments, the report be noted.**

**3. KEY ISSUES**

**Financial Implications**

3.1 There are no specific financial implications.

**Legal Implications**

3.2 There are no specific legal implications.

**Service/Operational Implications**

3.3 Within the Finance and Resources Service is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigating any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1st April 2011 to 31st March 2012.

Background

- 3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. There are just over 5,500 live benefit claims at anyone time and on average there were 51 new claims and 445 change in circumstances decided each week. Direct expenditure on Housing Benefit and Council Tax Benefit between April 2011 and March 2012 was £20,065,750. Just under half the caseload are people of working age which results in a large number of claims from customers who are moving in and out of work and also claiming other out of work benefits. Although measures have been put in place to make this transition easier for customers, it remains an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Benefit are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working.
- 3.5 The Fraud Team comprises a manager, two Investigation Officers and a Support Officer. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.

Activity

- 3.6 During the period this report covers there were 248 fraud referrals received by the team.
- 3.7 Approximately 27% of the fraud referrals received during the period came from members of the public. An increase in referrals from this source is usually experienced following reports of successful prosecutions in the local press. It is common for customers who are being interviewed under caution for benefit fraud offences to be more concerned that their name will be in the paper than actually attending Court and the consequences of that. Press releases are therefore considered to be our most valuable tool in the prevention of fraud and encouraging the public to report their suspicions.

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- 3.8 Approximately 49% of the referrals came from data-matching, the majority of these through the Housing Benefit Matching Service which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records. The other referrals under this category were raised as a result of the National Fraud Initiative. Although data matching is an excellent tool in detecting fraud, some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation.
- 3.9 The remaining referrals, approximately 24%, received were from official sources. The majority of these were within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.10 Many fraud referrals relate to benefits paid by both BDC and the DWP. In these cases, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources by preventing duplicate investigation work.
- 3.11 There were 129 positive closures on referrals received during the period and 29 negative closures where fraud/error was not proven following investigation. Investigations into other referrals received during the period are continuing and the results should therefore feed into future reporting.
- 3.12 4 customers were prosecuted in this period. Of these 2 were for undeclared work and also non-residency in one case and undeclared capital in the other, 1 for an undeclared private pension and 1 for living with an undeclared partner.
- 3.13 Cautions were accepted by customers in 46 cases. 19 of these were as a result of HBMS matches, 17 were for undeclared income, including work, 3 for undeclared partners, 1 undeclared capital, 1 non-residency, 1 undeclared non-dependant and 4 other fraud types.
- 3.14 Administrative penalties were accepted by customers in 7 cases. 4 of these as a result of HBMS matches and the other 3 were for undeclared income.

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- 3.15 A further 42 cases were closed as claimant error with a change to entitlement and/or overpayment of benefit established. 3 cases were closed as fraud proven with no further action and another 12 closed with no sanction.

Impact on other areas

- 3.16 Active investigation of potential fraud can impact upon other areas of benefit administration. One of the biggest impacts is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. Between April 2011 and March 2012 the team identified £196,169.72 in overpaid Housing Benefit and excess Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

Future plans

- 3.17 As part of the Government's Welfare reform plans it is proposed to combine local authority benefit fraud investigation staff with those of the DWP and Revenues and Customs into a Single Fraud Investigation Service (SFIS). It is suggested that this SFIS will be better placed to prevent and investigate fraud when the new Universal Credit replaces several benefits, including Housing Benefit. Recently it has been confirmed that local authority investigation staff remain with their authority between 2013 and 2015 but work to DWP priorities, then between 2015 and 2017 move to the DWP as part of the SFIS. High level consultation is currently taking place to establish the practicalities of these changes.
- 3.18 There are also plans to create a new mobile regional task force to investigate claims in high fraud areas. The Task Force will eventually be driven by an Integrated Risk and Intelligence Service (IRIS) a central hub which gathers and processes data and intelligence on fraud, error and debt. IRIS will also coordinate the gathering of data from Credit Reference Agencies.

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- 3.19 Additionally the Welfare Reform Bill has introduced legislation to:
- a) Abolish cautions as a penalty for fraud and increase asset seizure.
  - b) Introduce a three year loss of benefit for people convicted of serious fraud.
  - c) Increase administrative penalties from 30% to 50% of the amount of overpaid benefit. There will be a minimum penalty of £350 which will also apply to fraudulent attempts to obtain benefit.
  - d) Introduce a Civil Penalty of £50 for customer negligence.
  - e) Work closely with Crimestoppers.
  - f) Name and shame fraudsters in local areas.
- 3.20 A further impact of the Welfare Reform bill is that Council Tax Benefit will not be part of the Universal Credit, instead local schemes are to be introduced from April 2013. Consultation is currently underway about what investigative powers will be required to detect and investigate fraud within these local schemes.

**Customer / Equalities and Diversity Implications**

None specific.

**4. RISK MANAGEMENT**

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and that additional costs could be incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

**5. APPENDICES**

Appendix 1 - Sanctions comparison compared to other districts in the County.

Appendix 2 - Example cases.

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**6. BACKGROUND PAPERS**

None.

**AUTHOR OF REPORT**

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