

AUDIT BOARD

4th July 2013

BENEFITS INVESTIGATIONS October 2012 – March 2013

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

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

2. RECOMMENDATIONS

**The Committee 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 there is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1 October 2012 to 31 March 2013.

Background

The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area.

3.4 During the period September 2012 to February 2013 there were around 3790 live Housing Benefit claims and 5325 Council Tax Benefit

claims at anyone time. Direct expenditure for the year ending 31 March 13 was £15,667,213 in Housing Benefit and £5,667,156 in Council Tax Benefit. Approximately 45% of the caseload is made up of 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. During the year ending 31 March 2013 overpayments of £343,752 in Housing Benefit and £166,321 Council Tax Benefit caused by claimant error were identified.

- 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 76 fraud referrals were received and considered for investigation by the team.
- 3.7 27 of the referrals came from data-matching through the Housing Benefit Matching Service (HBMS) 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.
- 3.8 30 of the referrals were from official sources. 5 of these were joint working invitations received from the DWP and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.9 The remaining 19 referrals came from other sources, mostly members of the public. This demonstrates the value of maintaining a high level of fraud awareness within the local community. An increase in referrals from the public is experienced following reports of successful prosecutions in the local press giving details of the case and how to report suspicions of benefit fraud. This practice is understood to deter fraud as one of the main concerns of customers who are being interviewed under caution for benefit fraud offences is that their name will appear in the paper.

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- 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 62 Investigations were closed during the period and fraud or error was established in 50 of these.
- 3.12 4 customers were prosecuted. The offences in 3 of these cases related to undeclared work and the other to an undeclared partner.
- 3.13 Cautions were accepted by 23 customers. The offences in 18 of these cases related to work, either undeclared totally or increases in earnings that hadn't been reported. 1 case related to an undeclared partner, 2 cases to non-dependants in the property, 1 to Tax Credits and the other to undeclared pensions.
- 3.14 An administrative penalty was accepted by 1 customer for failing to declare capital.
- 3.15 The remaining 22 cases were closed without sanctions. 18 of these were classed as claimant error or were cases where fraud had been proven but a sanction was not considered appropriate. In 3 cases where HMBS had identified that the DWP benefits that our claims were based on had ceased, there was no change to benefit entitlement after revised income details were included in the claim. Although fraud could not be proven on the final case, the claim came to an end and the investigation was considered to be the causal link to this.

Impact on other areas

- 3.16 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments. Unfortunately the amounts identified by fraud investigations during this period are included in the figures in 3.4, they cannot be correctly identified separately for inclusion in this report but will be available for the periods of future reports.

Future plans

- 3.17 Although the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans came into force on 1 April 2013, there has been no noticeable impact upon the team. 4 Pilot

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sites have been trialling various ways of working and it is hoped that receive feedback from these. Regular updates are provided by the DWP but little detail is currently available.

The legislation to allow Local Authority Investigators working within SFIS pilots to fully investigate Tax Credit or DWP only cases has been put into place. The latest newsletter provided the following timescale for full implementation of the service.

November 2012

The SFIS Pilots go live and will remain operational in 2014/15.

April 2013 – March 2014

All work on Benefit Fraud investigation activity in HMRC, DWP and LA's will be branded as SFIS from April 2013.

Full evaluation of the pilots and sign off of the final design of SFIS

April 2014 – March 2015

Rollout of the final SFIS Design including IT solutions across the remaining LA's, areas of DWP and HMRC that were not part of the Piloting or Pathfinder activity in 2013/14.

- 3.18 The introduction of the Council Tax Reduction (CTR) scheme also has implications for the team. Many of the powers currently used are applicable only under Social Security legislation and because CTR does not fall within this, they cannot be used for investigation. Regulation and powers to allow investigation have been introduced and will need to be incorporated into the local CTR scheme.

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

Sanctions comparison compared to other districts in the County.

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Example cases

Additional demographic information

6. BACKGROUND PAPERS

None

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APPENDIX 1

**County investigation and sanction comparison
April 2012 – March 2013**

Description	Number
No. of Investigations closed	
Bromsgrove	108
Malvern Hills	69
Redditch	294
Worcester	149
Wychavon	135
Wyre Forest	273
No. of Cautions accepted	
Bromsgrove	32
Malvern Hills	11
Redditch	47
Worcester	43
Wychavon	19
Wyre Forest	4
No. of Admin Penalties accepted	
Bromsgrove	6
Malvern Hills	4
Redditch	0
Worcester	5
Wychavon	5
Wyre Forest	10
No. of Prosecutions successful	
Bromsgrove	7
Malvern Hills	7
Redditch	10
Worcester	21
Wychavon	12
Wyre Forest	11

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APPENDIX 2

Example cases.

360070288

A 27 year old woman was prosecuted for falsely claiming Income Support, Housing Benefit and Council Tax Benefit by failing to declare that she was living with her partner who was in full time work.

This investigation was started by the DWP who invited BDC to join them after they obtained sufficient evidence to show that the allegation seemed founded. The prosecution was conducted by the Crown Prosecution Service who act on behalf of the DWP in their prosecutions.

Following investigation a decision was made that the woman was not entitled to the benefits claimed between August 2010 and November 2011 and overpayments totalling £4,160.59 were calculated.

The customer was sentenced to a 6 month supervised community order. The overpayments are being recovered by deductions from current benefit entitlement.

360044214

A 55 year old man accepted an administrative penalty as an alternative to prosecution for failing to declare capital.

This case was referred for investigation by the Benefit Team after the customer attended the Customer Service Centre to advise that he had been claiming Council Tax Benefit incorrectly along with DWP benefits. The DWP had identified the capital through informal investigations and in line with their policy gave no consideration to a sanction.

Taking all factors into consideration it was decided appropriate to offer the financial penalty as an alternative to prosecution on the overpaid Council Tax Benefit of £8,868.62.

The penalty was accepted and full payment of the penalty and repayment of the overpaid benefit was made at the time of the interview.

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359160216

A 40 year old woman accepted a caution for offences of falsely claiming Housing Benefit of £1,540.41 and Council Tax Benefit of £474.77 by failing to declare increases in her earnings and Tax Credits.

This referral was received through the Housing Benefit Matching Service after a match identified that there had been no change in earnings for at least 12 months. The case was referred for review initially then passed for further investigation once the undeclared changes had been identified.

The overpayment is being recovered through deductions from current benefit entitlement.

359207153

A sanction was not considered appropriate following an investigation into a claim from a 45 year old woman who failed to declare that her non-dependant son was living in her household. An overpayment of £601.18 was calculated after the Benefit Officer was satisfied that the evidence was sufficient for him to be included in the claim. The evidence was insufficient to prove the offences beyond reasonable doubt and it was therefore inappropriate to consider a sanction in this case.

The overpayment will be recovered from future benefit after recovery of a previous overpayment has been completed.

This investigation started as a result of an exercise which was carried out on claims from single who were not receiving the single person discount on their Council Tax account.

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APPENDIX 3

This table gives additional information on the nature and demographic profile of cases of benefit fraud where sanctions were applied during the period covered by this report.

Gender	Status	No of dep children	Tenancy type	Area	Fraud type	Outcome
F	Single	0	CT only	Hollywood	work	CAUTION
f	Single	0	HA	Catshill	work	CAUTION
f	Single	0	CT only	Wythall	work	CAUTION
f	Single	0	CT only	Charford	work	CAUTION
f	Single	0	HA	Norton	non-dep	CAUTION
m	Single	0	P/T	Marlbrook	work	CAUTION
m	partnered	2	CT only	Clent	work	CAUTION
f	Single	3	P/T	Rubery	Undec'd partner	CAUTION
f	Single	0	P/T	Catshill	work	CAUTION
f	partnered	2	HA	Hollywood	work	CAUTION
m	partnered	2	CT only	Slideslow	work	CAUTION
m	partnered	0	HA	Charford	work	CAUTION
m	partnered	2	HA	Whitford	non-dep	CAUTION
m	partnered	1	HA	Catshill	work	CAUTION
m	Single	0	P/T	Stoke Prior	work	CAUTION
m	Single	0	P/T	Tardebigge	work	CAUTION
m	Single	0	P/T	Stoke Prior	work	CAUTION
m	partnered	1	CT only	Rednal	work	CAUTION
m	partnered	0	CT only	Rednal	pension	CAUTION
f	Single	1	P/T	Sidemoor	work	CAUTION
f	Single	1	HA	Catshill	work	CAUTION
f	partnered	2	HA	Sidemoor	tax credits	CAUTION
f	Single	2	P/T	Catshill	work	CAUTION
m	Single	0	CT only	Alvechurch	capital	AD PEN
f	Single	2	P/T	Walkers Heath	work	PROSECUTION
f	Single	0	P/T	St Johns	work	PROSECUTION
f	Single	0	HA	Sidemoor	work	PROSECUTION
f	Single	3	P/T	Rubery	Undec'd partner	PROSECUTION

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The latest National Statistics compiled by the Department for Work and Pensions using claim data supplied by Bromsgrove District Council show claim data to be as follows.

	No.
All Housing Benefit claims	3,809
Social sector rented Housing Benefit claims	2,808
Private sector rented Housing Benefit claims	995
All Council Tax Benefit claims	5,280
Both Housing Benefit and Council Tax Benefit claims	3,410
Council Tax Benefit only claims	2,060
Housing Benefit only claims	400