

AUDIT BOARD

Date 12th December 2013

BENEFITS FRAUD UPDATE – QUARTERS 1 AND 2 2013/14

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation service for quarters 1 and 2 , 2013/14.

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 Customer Access and Financial Support Service there is a dedicated counter-fraud team whose purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority. 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.

3.4 This report gives performance information for the team from 1 April 2013 to 30 September 2013.

3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. During the period of this report there were 3809 live Housing Benefit claims and 5280 Council Tax Reduction claims at anyone time. Direct expenditure for the period was

£8,539,769 in Housing Benefit and £4,659,984 in Council Tax Reduction.

- 3.6 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 Reduction are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.
- 3.7 During the 6 month period overpayments of £200,955 in Housing Benefit and £78,905 Council Tax Reduction caused by claimant error were identified.
- 3.8 During quarters 1 and 2 of 2013/14 77 fraud referrals were received and considered for investigation by the team.
- 3.9 24 of the referrals came from data-matching.

8 of these were identified through the 2012/13 National Fraud Initiative. This is a scheme where public sector organisations are required to submit data to the Audit Commission for the purpose of identifying fraud. Our Benefit data is submitted every alternate year and cross matched against other datasets submitted in order to identify fraudulent claims. These are mainly where income such as earnings, private pensions or student finance has not been declared but can also include other types of fraud such as non-residency or undeclared capital.

The remainder were identified through the Housing Benefit Matching Service (HBMS) - 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 to 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.

- 3.10 25 of the referrals were from official sources. 4 of these were joint working invitations received from the DWP. 2 referrals were raised as a result of investigations being carried out by other local authority investigation teams, and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.11 The remaining 28 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 the number of 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.

- 3.12 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.
- 3.13 44 investigations were closed during the period and fraud or error was established in 31 of these.
- 3.14 8 people were prosecuted. The offences related to:
- 3 cases - undeclared partners;
 - 2 cases - undeclared work;
 - 1 case - undeclared private pension;
 - 1 case - undeclared capital; and
 - 1 case - undeclared non-dependant who was working.
- 3.15 Cautions were accepted by 13 people. The offences in these cases related to:
- 9 - work, either undeclared totally or increases in earnings that hadn't been reported;
 - 1 - an undeclared partner
 - 1 - non-dependants in the property;
 - 1 - Tax Credits; and
 - 1- undeclared capital.
- 3.16 An administrative penalty was accepted by 1 person for continuing to claim after leaving the address.
- 3.17 The remaining 9 cases were closed without sanctions although overpayments were identified on all of them. There must be sufficient evidence to prosecute for any sanction to be considered. At times this cannot be achieved and the file must therefore be closed without sanction.
- 3.18 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon the identification of overpaid Housing Benefit and excess payments of Council Tax Benefit/Reduction. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

Overpayments on the files closed during the period of this report totalled £65,867.02 in Housing Benefit and £29,755.39 in Council Tax Benefit/Reduction. Some of these overpayments may be included in the totals identified as shown in 3.4 but because investigations can sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 April 2013.

- 3.19 The Single Fraud Investigation Service (SFIS), announced as part of the Government's Welfare reform plans which came into force on 1 April 2013, has not yet made any noticeable impact upon the team. The Pilot sites are still trialling various ways of working but in September notification was received that in August 2013 the programme board had recommended that they should introduce SFIS within DWP during 2014/15. This had since been ratified by the Permanent Secretary and Minister and discussions taken place with Permanent Secretaries from DCLG, Scottish Government, Welsh Assembly and additionally with officials.
- 3.20 At this stage the proposed approach is still a recommendation as more work needs to take place, including finalising the full business case and seeking agreement of funding with HM Treasury. Until an agreement on future funding is reached the Programme Board is not in a position to make any formal announcements or commitments.
- 3.21 The planning assumptions announced are that, as SFIS is implemented
- The investigation of HB/CTB fraud will move to DWP
 - The investigation of LCTS/Tenancy Fraud etc will remain with LAs
 - The amendment of HB/CTB claims will remain with LAs
 - The calculation and recovery of any HB/CTB overpayments will remain with LAs
 - DWP investigators will request information and evidence from LAs to support an investigation
 - A single prosecution body will be used (CPS for England and Wales & the PF for Scotland)
- 3.22 The next phase of project activity is that the project team will be working closely with Human Resources experts to understand the impacts on people working on fraud investigations and prosecutions, including looking at any potential TUPE (Transfer of Undertakings (Protection of Employment) or COSOP (Cabinet Office Statement of Practice) implications.
- 3.23 The Programme Board acknowledge that there are many questions around what the proposal means for staff, services and budgets, but recognise that they are not yet in a position to provide all of the

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information, although it has been confirmed that there will be no change to the administration grant funding for 2014/15.

Customer / Equalities and Diversity Implications

3.24 None specific.

4. RISK MANAGEMENT

4.1 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 - Example cases

Appendix 2 - Additional demographic information

6. BACKGROUND PAPERS

None

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