

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 20th March 2014

BENEFITS SERVICES FRAUD INVESTIGATION - 1st Oct to 31st Dec 2013

Relevant Portfolio Holder	Councillor Mike Webb
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

This report advises 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 in addition to investigating any suspicions of fraudulent activity against the Authority.

3.4 This report gives performance information for the team from 1 October 2013 to 31 December 2013.

3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. During the period of this report there were 3677 live Housing Benefit claims and 5102 Council Tax Support claims at any one time.

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- 3.6 Direct expenditure for the period from 1 April 2013 until 31 December 2013 was £15,667,212 in Housing Benefit and £5,666,630 in Council Tax Support.
- 3.7 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.
- 3.8 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 Support 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.
- 3.9 During the 3 month period overpayments of £136k in Housing Benefit were identified. Council Tax Support caused by claimant error is no longer classified as an overpayment and this amount is no longer measured.
- 3.10 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.
- 3.11 During quarter 3 of this year 47 fraud referrals were received and considered for investigation by the team.
- 3.12 18 of the referrals came from data-matching.
- 3.13 8 of these identified through the 2012/13 National Fraud Initiative, the 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, mainly where income such as earnings, private pensions or student finance has not been declared but also other types of fraud such as non-residency or undeclared capital.
- 3.14 The remainder (10) 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 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.
- 3.15 17 referrals were from official sources.

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- 3.16 5 of these were joint working invitations received from the DWP, 1 came from a Housing Association and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.17 12 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.
- 3.18 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.
- 3.19 12 investigations were closed during the period and fraud or error was established in 11 of these.
- 3.20 1 customer was prosecuted. The offence in this case related to undeclared capital.
- 3.21 Cautions were accepted by 7 customers. The offences in 2 of these cases related to work, 2 cases related to increases in non-dependant's income, 1 case related to undeclared Tax Credits, 1 to undeclared capital and the other to undeclared student income.
- 3.22 No administrative penalties were offered as an alternative to prosecution during the period of this report.
- 3.23 The remaining 3 cases were closed without sanctions although overpayments were identified on them. There must be sufficient evidence to prosecute for any sanction to be considered. At times this cannot be established and the file must therefore be closed without sanction.
- 3.24 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 Support. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.
- 3.25 Overpayments on the files closed during the period of this report totalled £28k in Housing Benefit and £5k in Council Tax Support. (The

excess Council Tax identified through the Team's actions continue to be recorded even though the total excess cannot be given in 3.4) 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 October 2013.

- 3.26 Further information regarding the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans was given in the Autumn Statement by the Chancellor of the Exchequer on Thursday 5 December 2013.
- 3.27 In a letter addressed to Local Authority Chief Executives by the DWP it was confirmed that SFIS will be launched within DWP as a single organisation and implementation will commence in 2014. The letter said that they are looking forward to continuing close working with partners to enable the national rollout. Local authorities remain key partners and their expertise and knowledge continues to be invaluable in the development of SFIS.
- 3.28 Current implementation plans are that SFIS will be implemented on a phased basis between October 2014 and March 2016. Consideration is also being given to trialling a small number of test sites before full roll-out commences. The DWP has taken the strategic business decision that in order to maintain an effective fraud investigation service it is keen for the staff assigned to this work to transfer with it but at this stage there is insufficient information to say conclusively whether TUPE will or will not apply.
- 3.29 It was also announced in the Autumn Statement and details given in a letter sent by the Rt Hon Eric Pickles MP to all Local Authority Leaders on 5 December 2013 that alongside the roll out of SFIS, DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud. The package will include extra funding over 2014-15 and 2015-16, although we do not yet have any further details on this.
- 3.30 The introduction of the Council Tax Support (CTS) scheme also has implications for the Team. Powers to investigate CTS have been introduced and will need to be incorporated into the local scheme. Because CTS offences are not within Social Security legislation there will be an effect on joint working with the DWP. SFIS plans include creating a national framework of protocol agreements to facilitate joint working and support mechanisms for non-welfare benefit fraud investigation.

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Customer / Equalities and Diversity Implications

- 3.31 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and overpayment of benefits

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

7. KEY

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