

**BENEFITS FRAUD INVESTIGATIONS UPDATE – QUARTER 4 2013/14**

Relevant Portfolio Holder	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. This report gives performance information for the team from 1st January 2014 to 31st March 2014

**2. RECOMMENDATIONS**

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

**3. KEY ISSUES**

**Financial Implications**

- 3.1 Direct expenditure for the year from 1 April 2013 until 31 March 2014 was £15,893,367.15 in Housing Benefit and £4,618,666.72 in Council Tax Support.
- 3.2 During the 3 month period overpayments of £189,046.77 in Housing Benefit were identified. Council Tax Reduction caused by claimant error is no longer classified as an overpayment and this amount is no longer measured.
- 3.3 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 large and can distort the apparent recovery rate of overpayments. Overpayments on the files closed during the period of this report totalled £8,730.38 in Housing Benefit and £4,926.07 in Council Tax Benefit/Reduction. (The excess Council Tax identified through the Team's actions continue to be recorded even though the total excess cannot be given in 3.2) Some of these overpayments may be included in the totals identified as shown in 3.2 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 January 2014.

**Legal Implications**

- 3.4 There are no specific legal implications.

**Service/Operational Implications**

- 3.5 The dedicated counter fraud team's purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority.
- 3.6 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. During the period of this report there were 3780 live Housing Benefit claims and 5160 Council Tax Support claims at any one time.
- 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 this quarter 39 fraud referrals were received and considered for investigation by the team.
- 3.10 11 of the referrals came from data-matching. Of these:
- 9 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.
  - 2 cases were 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.

- 3.11 8 of the referrals were from official sources. Of these:
- 2 were joint working invitations received from the DWP, 1 came from a neighbouring council and the remaining 5 from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.12 The remaining 20 referrals came from members of the public, and 17 of these referrals were allegations relating to undeclared partners. This is encouraging because this type of fraud is difficult to identify but there is often little or no evidence available to support the referral and therefore after exhausting all available enquiries many have to be dealt with on an informal basis, usually by a visit from the Benefit Visiting Officer.
- 3.13 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.
- 3.14 Just over 50% of the referrals from the public were received through the web site fraud referral form and most of the others in telephone calls.
- 3.15 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 and depending on workloads either body can take the lead.
- 3.16 12 investigations were closed during the period and fraud or error was established in 7 of these. Of these:
- 1 customer was prosecuted. The offence in this case related to undeclared capital.
- 1 customer accepted a caution as an alternative to prosecution. The offence in this case related to under-declared work and income.
- No administrative penalties were offered as an alternative to prosecution during the period of this report.

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 and the file must therefore be closed without sanction.

- 3.17 Appendix 3 sets out the numbers of referrals and subsequent outcomes for 2013/14, compared with the two previous years.
- 3.18 The trend indicates a reduction in referrals but this is largely due to changes in the way some are recorded and also the automation of a large number of changes which has reduced the likelihood of changes not being picked up.
- 3.19 Quite a large number of the referrals will not be taken up. This can be for a variety of reasons such as duplicate referrals where an investigation is already taking place; no benefit in payment, the information in the allegation is already correctly declared alleged or would have no effect on the claim.
- 3.20 Cases where the allegation will have no effect on the HB/CTS claim but could impact on DWP benefits or Tax Credits are referred to the appropriate organisation to investigate.
- 3.21 In some cases the initial background enquiries will not establish sufficient intelligence for there to be a reasonable likelihood of proving fraud. The majority of these cases will be passed for a review to be carried out on the claim, usually by visit.
- 3.22 Some of the investigations that are carried out will not establish fraud and our aim is to keep this number to a minimum.
- 3.23 The timescale for the implementation of the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans has now been released and despite the rest of the county joining in November this year, Bromsgrove and Redditch will not join the organisation until February 2016.
- 3.24 Information has been received and a SFIS road show presentation was held in Birmingham on 15 April 2014 giving high level details regarding the transfer process and the duties that will and will not be moving to the new organisation within DWP.
- 3.25 The DWP has concluded that TUPE will not apply as the transfer of administrative functions between public administrative authorities is not a relevant transfer (for the purpose of TUPE). However, DWP is committed to taking employees currently assigned to welfare benefit fraud investigation work.

- 3.26 The Cabinet Office Statement of Practice for Staff Transfers in the Public Sector says that in circumstances where TUPE does not apply in strict legal terms to a transfer between different parts of the public sector, the principles of TUPE should be followed so far as possible and in accordance with business need. In order to maintain an effective fraud investigation service DWP has decided to adopt this principle.
- 3.27 Our own Human Resources Team have demonstrated their support to the staff likely to be included in the transfer and their commitment for involvement when negotiation starts approximately 6 months before the given date.
- 3.28 This date has also given the service the opportunity to develop and explore options for the future such as a continuing resource for the investigation of non-welfare fraud including Council Tax Support which will remain within local authorities. A shared Investigation Team between Bromsgrove District Council and Redditch Borough Council is in currently the proposal/consultation stage to enable informed decisions to be made.
- 3.29 No further indication of roll out dates in respect of Universal Credit has been received. However, officers are developing an action plan in respect of support for this, based on some of the learning coming out of the pilot areas.
- 3.30 The key themes emerging from the pilots are:
- Partnership working
  - Financial Inclusion
  - Triage
  - Digital Inclusion.
- 3.31 Although it is still DWP's intention that online application will be the primary route for claimants, it is recognised that support needs to be in place for those who do not currently, or cannot, use online services.
- 3.32 DWP is looking to local council to help provide this support and a joint Local Support Services Framework will be developed. In readiness for this officers have mapped all the arrangements currently in place and are developing or strengthening those to ensure that we are prepared once a live date for Universal Credit is known.
- 3.33 The Local Support Services Framework will help to ensure that local arrangements meet local need and take account of the learning through our transformational agenda.
- 3.34 It is important to note that the local authority will not be responsible for monitoring fraud in the Universal Credit system. This will transfer to the Single Fraud Investigation Services. However as noted in 3.22 we do

retain responsibility to manage non-welfare fraud such as the Council Tax Support Scheme.

**Customer / Equalities and Diversity Implications**

- 3.35 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  
Appendix 3 - Trends data

**6. BACKGROUND PAPERS**

None

**7. KEY**

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**Audit Board example cases**

Case 1

A 45 year old man was prosecuted for failing to declare capital when claiming Housing Benefit from Bromsgrove District Council (BDC).

The investigation into the claim at BDC began after contact was made by an investigator from a neighbouring authority who was looking into the circumstances of the claim that had been made after moving into their area.

The Department for Work and Pensions were also involved in the investigation

A joint investigation was agreed after evidence was obtained showing that the customer had forged a document to provide to BDC showing that he had received just under £1,000 from the sale of his previous property but records of the sale indicated a substantially higher amount. Evidence was also obtained to show that the customer had continued to work as a financial adviser whilst claiming Jobseeker's Allowance and benefits from BDC and that had not declared his full income from his business to the neighbouring authority when claiming there.

The customer pleaded guilty to all offences and was sentenced to a 12 week prison sentence, suspended for 12 months during which 150 hours of unpaid work must be completed. He was also ordered to pay £1,315 towards the prosecution costs.

Overpayments of £3,590.08 Housing Benefit and £1,069.73 Council Tax Benefit were identified on the BDC claims and are being repaid in monthly instalments.

Case 2

A 31 year old woman offered a caution as an alternative to prosecution after admitting offences of failing to notify increases in her earnings and tax credits.

This investigation was started after a review of the claim was requested after it was identified through the NFI data-matching exercise that although the customer had correctly declared her employment, there had been no change in the amount of earnings on the claim for a considerable time.

The review identified overpayments of £1,636.47 Housing Benefit and £644.05 Council Tax Benefit/Support.

The caution was accepted and the overpayment is being recovered through deductions from the customer's on-going benefit entitlement.

Case 3

An investigation into the claim of a 34 year old man was closed without sanction as he had left the area and it was considered unlikely that he would co-operate with the investigation by attending an interview under caution even if he could be located.

This case was identified through a Housing Benefit Matching Service data-match showing that the customer had 2 concurrent Housing Benefit claims in payment. Evidence of the 2<sup>nd</sup> claim was obtained from the other authority but their claim had also ended by that time and no forwarding address was held.

Housing Benefit of £1,038.42 was overpaid and is recoverable from the customer.



**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 19<sup>th</sup> June 2014

**APPENDIX 2**

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. dep children	Tenancy type	Area	Fraud type	Outcome
Male	Partnered	2	P/T	Barnt Green	Capital	Prosecution
Female	Single	1	H/A	Alvechurch	Work/ Other income	Caution

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**APPENDIX 3**

**FRAUD TRENDS DATA**

<b>Fraud type</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Undeclared income	37	67	46
Working and drawing	19	10	18
Contrived tenancy	2	0	0
Employer fraud	0	1	0
HBMS Data Match	88	12	2
Landlord fraud	1	1	0
Living together	34	36	54
Non-commercial tenancy	1	0	0
Non-dependants	20	13	10
Non-residency	4	8	18
Other	10	9	8
Property owner	0	0	1
Student award	0	0	0
Undeclared_capital	11	6	8
<b>Total referrals</b>	<b>227</b>	<b>163</b>	<b>165</b>

<b>Referral source</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Members of public	54	32	65
Data matching	114	66	52
Official source	59	65	48
Total referrals	227	163	165

<b>Outcomes</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
Administrative Penalty	7	6	1
Caution	45	32	21
Prosecution	3	9	10
No sanction	57	26	17

Referrals under fraud type HBMS Data Match have reduced because they are now recorded using the type of discrepancy that the match is identifying, e.g. when identifying an undeclared pension this would be recorded as undeclared income.

HBMS data matches are still correctly included in the Data matching referral source. The significant reduction in the number of referrals from this source is a general trend following the automation of information regarding benefits and Tax Credits between local authorities and DWP. This trend has also decreased the number of cases of lower level fraud where a caution or administrative penalty would quite often have previously been offered.