

AUDIT BOARD

11th December 2014

BENEFITS FRAUD – QUARTER 2 2014/15 UPDATE

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 aims to advise Members on the performance of the Benefits Services Fraud Investigation Service for the period 1 July 2014 to 30 September 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 £15.9m in Housing Benefit and £4.6m in Council Tax Support.
- 3.2 During this three month period total overpayments of £180k in Housing Benefit were identified. Claimant error in respect of Council Tax Support is no longer classified as an overpayment and this amount is no longer measured, although recovery mechanisms are in place. Measures have been put into place to enable us to evaluate Council Tax Support overpayments identified as a result of fraud investigation and report on them in future.
- 3.3 Overpayments on investigations closed during the period of this report totalled £51k in Housing Benefit, £8.5k in Council Tax Benefit and £1.4k in Council Tax Support. 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 July 2014.

Legal Implications

- 3.4 There are no specific legal implications.

Service/Operational Implications

- 3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. A shared dedicated counter fraud team is in place and their purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority. The team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.6 As at 30 September 2014 there were 5382 live Housing Benefit claims and 5011 Council Tax Reduction claims in payment. Approximately half 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.
- 3.7 Although improvements have been made to try to make this transition easier for customers it still remains an area of risk of fraud and error 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.
- 3.8 During this quarter 28 fraud referrals were received and considered for investigation by the team. This is an increase on the previous quarter and due in part to the work of the new shared service team who have improved information to raise fraud awareness.
- 3.9 22 referrals were received from members of the public, demonstrating the value of maintaining a high level of fraud awareness within the local community. More than half of these were allegations of fraud that are very often difficult to identify through data-matching and are not easily identified by staff, mostly relating to:
- occupancy of properties,
 - undeclared partners or non-dependants, or
 - allegations that the customer was not residing at the address.

Publicity in the local press following successful prosecutions continues to encourage members of the public to report their suspicions of benefit fraud and remind customers to report changes in their circumstances as they take place in order to avoid overpayments and prevent investigations into their claims.

- 3.10 3 of the referrals were received from the Department for Work and Pensions (DWP) either as joint working invitations or for consideration of investigation into Housing Benefit/Council Tax Support as there were no DWP benefits in payment that would be affected by the alleged fraud.
- 3.11 2 referrals came from employees within Bromsgrove District Council (BDC). There has been a noticeable reduction in referrals from members of staff during the period of this report but they have started to increase again since then. Further fraud awareness training is planned in the near future in order to raise awareness of benefit fraud with employees and encourage referrals to be made in appropriate cases.
- 3.12 1 investigation was started as a result of a data-match through the National Fraud Initiative. A significant reduction in the number of matches resulting in a fraud referral 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. Real Time Information is now also being received from HMRC relating to changes in earnings and this will further reduce potential fraud.
- 3.13 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.
- 3.14 11 investigations were closed during the period and fraud or error was established in 9 of these.
- 3.15 4 customers were prosecuted. 1 of these related to an undeclared partner, 2 related to undeclared work and the other to undeclared work and undeclared private pension.
- 3.16 1 customer accepted a caution as an alternative to prosecution for undeclared work and non-dependant moving into the household.
- 3.17 1 customer accepted an administrative penalty for undeclared work.
- 3.18 Although overpayments were identified in a further 3 cases it was decided that sanctions were not appropriate even though overpayments were identified on them. There must be sufficient evidence to prosecute for any sanction to be considered. At times this

cannot be obtained or there could be mitigating factors resulting in the file being closed without sanction.

- 3.19 Fraud investigations often identify large overpayments which can distort the apparent recovery rate of overpayments. For example, the Housing Benefit overpayments on 3 of the cases closed during this period were each over £10,000 and totalled £33,432.26 so are likely to take a considerable time to recover.
- 3.18 The overpayments identified on Council Tax Support are now starting to reach levels where fraud investigation into them alone is appropriate. The numbers and amounts involved will be monitored closely in the coming months in order for consideration to be given to the retaining resources likely to be required and ways in which this function may continue when the Housing Benefit investigation function transfers to the Single Investigation Service in February 2016.

Customer / Equalities and Diversity Implications

- 3.20 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 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

AUTHOR OF REPORT

Name: Shona Knight
E Mail: shona.knight@bromsgroveandredditch.gov.uk
Tel: (01527) 881240