

AUDIT BOARD

Date 19th March 2015

BENEFITS FRAUD – QUARTER 3 UPDATE

Relevant Portfolio Holder	Cllr 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

To advise Members on the performance of the Benefits Services Fraud Investigation service. This report gives performance information for the team from 1 October 2014 to 31 December 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 quarter total overpayments of £162,315 in Housing Benefit were identified. These were made up as follows:

Customer error/fraud	£148,085
Local Authority error	£7,122
Overpayments caused by administration delay	£7,107

3.3 The following table sets out the total overpayments recovered during this quarter.

Payments received	£113,639
Overpayments written off	£12,841

3.4 In addition overpayments on fraud investigations closed during the period of this report totalled £58,250 in Housing Benefit, £7,870 in Council Tax Benefit and £2,531 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, particularly in prosecutions, many of these will have been calculated in prior to 1 October 2014.

Legal Implications

- 3.5 There are no specific legal implications.

Service/Operational Implications

- 3.6 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. All members of the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.7 As at 31 December 2014 there were 5,245 live Housing Benefit claims and 5,013 Council Tax Reduction claims in payment. Just under half of the caseload is made up of customers of working age which results in a large number of changes on claims where people are moving into or out of work and also claiming other out of work benefits.
- 3.8 Although measures have been in place for some time to make this transition easier for customers, it 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.
- 3.9 During this quarter 60 fraud referrals were received and considered for investigation by the team. This is more than double the number received last quarter, and due largely to a new process that is in place for data matching with HMRC records.
- 3.10 13 referrals were received from members of the public, demonstrating the value of maintaining a high level of fraud awareness within the local community. All of the referrals received from the public during this period related to either alleged undeclared partners or non-dependants or to residency issues. These types of fraud are difficult to detect through data-matching and often for staff to identify so it is pleasing that the public are reporting their suspicions in this area. Publicity in the local press following successful prosecutions continues to encourage members of the public to report their suspicions of benefit fraud and to remind customers to report changes in their circumstances as they take place in order to avoid overpayments and prevent investigations into their claims.

- 3.11 2 of these were received from the Department for Work and Pensions (DWP) as joint working invitations or for consideration of investigation into Housing Benefit/Council Tax Support along with their benefits. The offence in one of these cases was undeclared work and the other an undeclared partner.
- 3.12 10 referrals came from employees within Bromsgrove District Council (BDC). 9 of these came from the Benefit Team and the other from the Revenues Team. The alleged offences in 6 of these cases related to undeclared work, 2 related to residency issues and the other to undeclared non-dependants.
- 3.13 The DWP began matching Housing Benefit data against the real time information that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC) and notifying the Authority of cases where the claims could be in payment incorrectly during this period. This resulted in 25 fraud referrals being received from this source. 20 of these related to incorrect earnings, 4 to incorrect private pensions and the other to both earnings and pension.
- 3.14 1 investigation into possible undeclared non-dependants was started as a result of a data-match through the National Fraud Initiative.
- 3.15 9 referrals were received through the Housing Benefit Matching Service (HBMS), a scheme run nationally for Local Authorities by the 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 and HMRC records to identify undeclared work or savings. The match in 7 of these cases concerned undeclared work, 1 related to undeclared capital and the other to a residency issue.
- 3.16 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.
- 3.17 10 investigations were closed during the period with fraud or error established.
- 3.18 4 customers were prosecuted. The offences related to undeclared work in 2 of these cases, an undeclared private pension in 1 case and both work and undeclared private pension in the other.
- 3.19 No cautions or administrative penalties were offered during the period of this report.

- 3.20 All aspects of a case are taken into consideration at each stage of an investigation from the referral stage through to the decision on whether prosecution or an alternative sanction is appropriate.
- 3.21 When deciding whether investigation is appropriate initially, the potential loss to public funds is the primary consideration which is balanced against resources available to investigate. This ensures that the cases most likely to result in a large overpayment and therefore most appropriate for prosecution are prioritised. If however it is decided that full investigation is not possible but there is still a risk that benefit is incorrectly in payment, the case will be referred back to the Benefit Team for the matter to be addressed and the claim corrected.
- 3.22 The case is again reviewed completely when deciding whether prosecution or an alternative sanction is appropriate following investigation. In doing this the offence that has been committed will be looked at alongside the amount of benefit obtained. Any mitigation that the customer has given during interview will be taken into consideration along with their co-operation with the investigation and any previous investigations into their claim. The cases most likely to be recommended for prosecution are those with the longest period of offending. Any opportunities for the customer to have reported the true facts themselves or the Authorities ability to have possibly identified the offences sooner are also considered.
- 3.23 It is appropriate to consider alternative sanctions where the offences do not warrant the costs and consequences involved in prosecution as a first option. In doing this the customer's full circumstances will be considered including their financial situation. The main purpose of a caution or administrative penalty is to ensure that the customer understands the seriousness of their offending and to prevent any further fraud being committed.
- 3.24 The minimum administrative penalty payable is £350 and this is usually only considered when there is a realistic chance of recovering this amount within a reasonable period of time in addition to recovering the overpayment. This practice has been in place for some time and cautions are usually offered when an administrative penalty is not considered appropriate.
- 3.25 Very few repeat investigations are carried out on customers who have accepted either a caution or administrative penalty which demonstrates the value of each as an alternative sanction.
- 3.26 Fraud investigations often identify large overpayments which can distort the apparent recovery rate of overpayments. For example, the Housing Benefit overpayments on 4 of the cases closed during this period were each over £10,000 and totalled just under £45k so are likely to take a considerable time to recover.

AUDIT BOARD

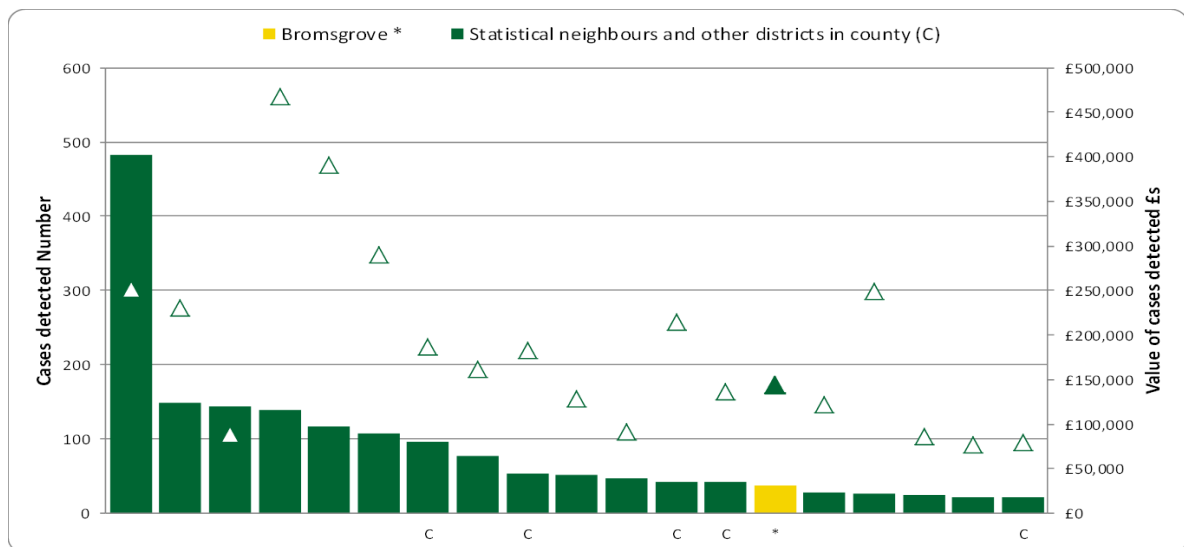
Date 19th March 2015

- 3.27 The overpayments identified on Council Tax Support are continuing to increase, as the scheme is now at the end of its second year of operation. The total in 3.3 is almost 50% higher than the total covered in the previous report. The numbers and amounts involved will continue to be monitored closely in the coming months in order for consideration to be given to ways in which resources for this function and any further fraud investigation within the Authority may continue when Housing Benefit investigation transfers to the Single Investigation Service in February 2016.

- 3.28 During the period of this report the Audit Commission released a document entitled ‘Protecting the public purse 2014’ to every local authority. The purpose of this document is to inform councillors of the performance of their own council and how this compares to others in the County or considered similar make up to their own.

- 3.29 A total of 38 cases with a value of £142,959 are recorded for BDC for the year and the average for statistical neighbours and county for benefit fraud recorded as 64 cases with a value of £179,665. These figures give an average overpayment of £3,762 for each investigation completed by Bromsgrove and £2,052 for the statistical comparators. This suggests that the investigations completed in Bromsgrove are likely to have been of a more complex nature, meaning that fewer were completed.

- 3.30 As you can see from this chart the figures are also skewed somewhat by the fact that one authority had a very high comparative indicator, which may have been as a result of a special initiative.



- 3.31 The Benefit Investigation Team has been restructured since the period of this document and indications are that the number of investigations completed is on the increase.

Customer / Equalities and Diversity Implications

- 3.32 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 - 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