

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE 16th JULY 2015

BENEFITS FRAUD – QUARTER 4 UPDATE

Relevant Portfolio Holder	Cllr G. Denaro
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 January 2015 to 31 March 2015.

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 2014 until 31 March 2015 was just under £15.9m in Housing Benefit and just under £4.5m in Council Tax Support.

3.2 During this quarter total overpayments of £176,153 in Housing Benefit were identified. These were made up as follows:

Customer error/fraud	£166,115
Local Authority error	£1,183
Overpayments caused by administration delay	£8,855

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

Payments received	£101,184.00
Overpayments written off	£12,702.00

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- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £53,132 in Housing Benefit, £1,076 in Council Tax Benefit and £11,640 in Council Tax Support. Some of these overpayments will 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 2015.

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 March 2015 there were 5,213 live Housing Benefit claims and 4,999 Council Tax Support claims in payment. Approximately half of the caseload is made up of customers of working age meaning that there are a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.8 Although measures have now been in place for some time, which benefit both the customer and the Authority, to make these changes easier to manage, it remains an area of risk of fraud and error 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. This is a reduction on the number received in the previous quarter which had been distorted by the new process that is in place for data matching with HMRC records, but is a similar level to previous quarters.
- 3.10 20 of the referrals were received from members of the public, continuing to demonstrate the value of maintaining a high level of fraud awareness within the local community.

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- 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 alone if either they have no benefits in payment or if the alleged offence would have no effect on any they are paying.
- 3.12 5 referrals came from employees within Bromsgrove District Council (BDC) Benefit Team, showing the value of maintaining a high level of fraud awareness within the team and a further referral was received from another local authority.
- 3.13 The remaining 11 referrals were received as a result of data matching, either through the Housing Benefit Matching Service (HBMS), DWP Real Time Information programme (RTI) or the National Fraud Initiative (NFI). Appendix 4 gives further information on these referral sources.
- 3.14 Whenever possible where fraud referrals relate to benefits paid by both BDC and the DWP, 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 maximises staffing resources as depending on workloads either body can take the lead and also prevents duplicate investigation work.
- 3.15 22 investigations were closed during the period with fraud or error established.
- 3.16 A caution was accepted by 1 customer for offences relating to under-declared earnings but no administrative penalties were offered and there were no cases closed following prosecution during the quarter.
- 3.17 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.
- 3.18 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.
- 3.19 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

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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 Authority's ability to have possibly identified the offences sooner are also considered.

- 3.20 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.
- 3.21 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.
- 3.22 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.
- 3.23 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 totalled £18,476 and are likely to take a considerable time to recover.
- 3.24 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 over 450% 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 decisions to be made on 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.
- 3.25 The Benefit Investigation Team is now fully staffed following the restructure and indications are that the number of investigations completed is continuing to increase.

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Customer / Equalities and Diversity Implications

- 3.26 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
Appendix 4 -	Data match information

6. BACKGROUND PAPERS

None

7. KEY

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