

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 17th September 2015

BENEFITS FRAUD – QUARTER 1 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 team. This report gives performance information for the team from 1 April 2015 to 30 June 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 in Housing Benefit for the period from 1 April 2015 until 30 June 2015 was £3,759,482. Council Tax Support is awarded and paid directly onto the Council Tax account for existing claims at the start of each financial year for the whole year's entitlement. Council Tax Support for any new claim awarded throughout the year is paid onto the account at the time the claim is decided, therefore expenditure on a 1/4ly basis is not meaningful. Direct expenditure in Council Tax for the year ending 31 March 2015 was just under £4.5 million.

3.2 During this quarter total overpayments of £151,355 in Housing Benefit were identified. These were made up as follows:

Customer error/fraud	£137,558
Local Authority error	£1,945
Overpayments caused by administration delay	£11,851

Overpayments can only be classified as fraud after a customer is prosecuted, accepts an administrative penalty or formal caution or has made an admission of fraud during an interview under caution.

Any overpayments that the customer has contributed to, for example by not reporting a change in their circumstances on time, is recorded as customer error. Overpayments caused through mistakes made by

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staff are recorded as Local Authority error and administration delay overpayments arise when changes that have been reported cannot be processed immediately.

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

Payments received	£121,639
Overpayments written off	£21,558

- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £65,338 in Housing Benefit, £6,137 in Council Tax Benefit and £18,607 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 April 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 30 June 2015 there were 5,421 live Housing Benefit claims and 4,834 Council Tax Reduction claims in payment. Approximately half of the caseload is made up of customers of working age which results in a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.8 Measures have now been in place for some time to make these changes easier for both the customer to manage and the authority to process, but 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 can be potential financial incentives for customers to under declare income and savings or not to report a partner or other adult living in the property with them.
- 3.9 During this quarter 102 fraud referrals were received and considered for investigation by the team. This is a significant increase on the

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number received in the previous quarter because all data matches received from the Housing Benefit Matching Service (HBMS) since 1 April 2015 are now processed through the fraud management system which is now used by the shared investigation team, whereas previously only the matches where a fraud investigation was appropriate were included.

- 3.10 13 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.
- 3.11 7 referrals 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 14 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 further referral was received from another local authority.
- 3.13 3 further referrals came from official sources, 1 of these from the police and 2 from landlords.
- 3.14 65 referrals were received as a result of data matching. 48 of these through the HBMS, 11 through DWP Real Time Information programme (RTI), 5 through the National Fraud Initiative (NFI) and 1 through Locta. Appendix 4 gives further detail on these referral sources for further information.
- 3.15 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 .
- 3.16 24 investigations were closed during the period with fraud or error established.
- 3.17 Cautions were accepted by 8 customers, all of these were for offences relating to under-declared earnings, mainly identified through data matching.
- 3.18 An administrative penalty was accepted by 1 customer for offences relating to non-residency.

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- 3.19 3 customers were prosecuted, 1 of these for undeclared earnings and the other 2 for undeclared partners.
- 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 then 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, 9 of

the Housing Benefit overpayments on cases closed during this period were each over £3,500 and are therefore likely to take a considerable time to recover.

- 3.27 The overpayments identified on Council Tax Support continue to increase, as the period of this report is the start of the scheme's third year of operation. The total in 3.4 for this quarter is higher than the total identified during the whole of the previous year.
- 3.28 The investigation of Housing Benefit transfers to the DWP under the Single Fraud Investigation Service in February 2016. Responsibility for the investigation of Council Tax Support will remain within Bromsgrove District Council as will the processing data matches received from HBMS and NFI which are currently carried out within the team. Research has been carried out and options considered for the future provision of a fraud service within the Council to meet these and other needs. Retaining staff with knowledge and experience for appropriate fraud investigation and subsidy maximisation will be vital.
- 3.29 Although this authority will have no control over fraud investigations into Housing Benefit claims from February 2016, we will retain the responsibility for recovering any overpayments identified. Prevention and deterrence of fraud is the only area where there will be any influence. The agreement for risk based verification of claims has recently been given and is planned to be introduced before February 2016. This will add assurance at the onset of new claims and a robust review programme is now in place to add security during existing claims.
- 3.30 The formation of SFIS has made any meaningful benchmarking on fraud investigation performance virtually impossible on a wider scale, however some investigation data for Redditch Borough Council has been included in Appendix 3 for comparison.
- 3.31 The difference in the way HBMS referrals have previously been processed between the 2 sites, as referred to in 3.9 is one reason for the historic variation in cases closed without sanction. It is also important to note the significant difference in working age claimants between the two authorities. The number of claims is historically between 40% – 45% lower in Bromsgrove than in Redditch.

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 keep overpayment of benefits to a minimum.

4. RISK MANAGEMENT

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

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