

**BROMSGROVE DISTRICT COUNCIL**

**Audit, Standards and Governance Committee 10th December 2015**

**BENEFITS FRAUD – QUARTER 2 UPDATE**

Relevant Portfolio Holder	Cllr Geoff 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 July 2015 to 30 September 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 September 2015 was £7,670,099. 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. Reporting expenditure for Council Tax Support on part yearly basis is not meaningful but direct expenditure in Council Tax for the year ending 31 March 2015 was just under £4.5 million.

3.2 During this quarter Housing Benefit overpayments of £204,570 were identified. These were made up as follows:

Customer error/fraud	£173,599.80
Local Authority error	£9,242.99
Overpayments caused by administration delay	£21,727.21

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

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Any overpayment 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 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	£93,062
Overpayments written off	£11,218

- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £38,732 in Housing Benefit, £1,404 in Council Tax Benefit and £6,007 in Council Tax Support. Some of these overpayments will be included in the totals identified as shown in 3.2 but because investigations sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 July 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 currently in place and their main purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity on Housing Benefit and Council Tax Support claims. 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 September 2015 there were 5,299 live Housing Benefit claims and 4,814 Council Tax Reduction claims in payment. Almost exactly half the caseload is made up of working age customers and this 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 Although measures have been in place for some time to make these changes easier for both the customer to manage and the authority to process, it continues to be an area of risk of fraud and error entering the system. Also as both Housing Benefit and Council Tax Support are means tested benefit there are potential financial incentives for

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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 86 fraud referrals were received and considered for investigation by the team.
- 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 6 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 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.
- 3.13 1 referral came via the police.
- 3.14 61 referrals were received as a result of data matching. 44 of these through the HBMS, 16 through the DWP Real Time Information programme (RTI) and 1 through the National Fraud Initiative (NFI). Appendix 4 gives more detail on these referral sources for further information.
- 3.15 Whenever possible if fraud referrals relate to Housing Benefit and benefits paid by 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 1 customer accepted a caution for offences relating to an undeclared partner. Further details of this case are given in appendix 1.
- 3.18 An administrative penalty was accepted by 1 customer for offences relating to undeclared capital. Details of this case are also included in appendix 1.
- 3.19 No prosecutions were completed during the period of this report, although at the time of writing this report 6 cases are currently either booked into court or awaiting hearing dates.

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- 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 reviewed during each stage of the investigation and again when deciding whether prosecution or an alternative sanction is appropriate on conclusion of the investigation. The offence that has been committed is measured alongside the amount of benefit obtained and evidence available. Any mitigation that the customer has given during interview is taken into consideration along with their co-operation with the investigation and whether there have been 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 to prosecution, generally where the offences do not warrant the costs and consequences involved in prosecution as a first option. In making this decision 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 usually only offered when there is a realistic chance of recovering this amount and the overpayment within a reasonable period of time. This practice has been in place for some time and cautions are usually offered when an administrative penalty is not considered appropriate for this reason.
- 3.25 Very few repeat investigations are carried out on customers who have accepted either a caution or administrative penalty which demonstrates the deterrent 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, 7 of the Housing Benefit overpayments on cases closed during this period

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were each over £2,000 and therefore some are 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 identified in the first six months of this year is double the amount identified during the whole of the previous year.
- 3.28 The discussions and plans for transferring the investigation of Housing Benefit fraud to the DWP under the Single Fraud Investigation Service in February 2016 have now begun. Meetings are currently taking place to arrange the practicalities of the transfer and working arrangements post transfer for making fraud referrals and the exchange of data needed to enable the DWP to successfully investigate suspected Housing Benefit fraud.
- 3.29 Although this authority will no longer have control over fraud investigations into Housing Benefit claims from February 2016, we will still have responsibility for recovering any overpayments identified. Prevention and deterrence of fraud is the only area where there will be any influence. Risk based verification of claims will be introduced in the early part of 2016 and increase assurance at the onset of new claims and when changes of circumstances are being notified.
- 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. The difference in the way HBMS referrals have previously been processed between the 2 sites, as referred to in 3.9 is the reason for the historic variation in cases closed without sanction.
- 3.31 The service has been instructed to not take on any further Housing Benefits fraud cases from December in readiness for the transfer of responsibility..
- 3.32 Following the transfer of Housing Benefit fraud responsibility to the DWP, the investigation team will transfer their skills within the authority, initially concentrating on areas where full financial compliance would generate significant income, e.g. properties recorded as empty for Council Tax purposes when they have been brought back into use.
- 3.33 It will no longer be possible to provide Housing Benefit Fraud information from December 2015. The next report to the Committee will round up activity for quarter 3. There will be no quarter 4 report and it is proposed to bring an update report on the activity of the new Fraud and Compliance team with effect from quarter one of the new financial year. This will allow time for the necessary data and measures to be put in place on which to report.

**Customer / Equalities and Diversity Implications**

- 3.34 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**

- 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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