

**BROMSGROVE DISTRICT COUNCIL**

**Audit, Standards and Governance Committee 24<sup>th</sup> March 2016**

**BENEFITS FRAUD – QUARTER 3 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 October 2015 to 31 January 2016.

From 1 February 2016 onwards, the investigation of Housing Benefit fraud has become the responsibility of the Department for Work and Pensions.

**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 31 December 2015 was £12,450,690. 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 the 3 month period from 1 October 2015 to 31 December 2015 Housing Benefit overpayments of £182,844 were identified. These were made up as follows:

Customer error/fraud	£168,223
Local Authority error	£7,514
Overpayments caused by administration delay	£7,107

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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. 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 between 1 October 2015 and 31 December 2015.

Payments received	£108,240
Overpayments written off	£329

- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £93,315 in Housing Benefit, £10,415 in Council Tax Benefit and £17,435 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 October 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 was in place for the period of this report. The main purpose of the team was 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 had completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.7 As at 31<sup>st</sup> January 2016 there were 5,146 live Housing Benefit claims and 4,765 Council Tax Reduction claims in payment. Approximately half the caseload is made up of working age customers 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 been in place for some time to make these changes easier for both the customer to manage and the authority to process, but this remains one of the highest areas of risk of fraud and error

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entering the system. Also as both Housing Benefit and Council Tax Support are means tested there are 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 period 139 fraud referrals were received and considered for investigation by the team.
- 3.10 102 of these were data matches, showing there is still a resource requirement to action these following transfer of HB fraud investigation to the Single Fraud Investigation Service.
- 3.11 11 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. From 01/02/16, Housing Benefit will be the responsibility of the DWP to investigate.
- 3.12 Whenever possible if fraud referrals related to Housing Benefit and benefits paid by the DWP, a joint approach was taken to ensure that the full extent of offending was uncovered and the appropriate action is taken by both bodies. This also maximised staffing resources as depending on workloads either body could take the lead and also prevented duplicate investigation work.
- 3.13 34 investigations were closed during the period with fraud or error established.
- 3.14 4 customers accepted cautions, all for offences relating to an undeclared or under-declared work.
- 3.15 No administrative penalties were offered during the period of this report.
- 3.16 2 prosecutions were completed during the period; both of these were for undeclared or under-declared work.
- 3.17 All aspects of a case were taken into consideration at each stage of the investigation from the referral stage through to the decision being made on whether prosecution or an alternative sanction was appropriate.
- 3.18 When deciding whether investigation is appropriate initially, the potential loss to public funds was the primary consideration which was balanced against resources available to investigate. This meant that the cases most likely to result in a large overpayment and therefore most appropriate for prosecution were prioritised. If however it was decided that full investigation was not possible but there was still a risk that benefit was incorrectly in payment, the case was referred back to the Benefit Team for the matter to be addressed and the claim corrected.

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- 3.19 Each case was reviewed during each stage of the investigation and again when deciding whether prosecution or an alternative sanction was appropriate on conclusion of the investigation. The offence that had been committed was measured alongside the amount of benefit obtained and evidence available. Any mitigation that the customer had given during interview was 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 were 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 were also considered.
- 3.20 It was appropriate to consider alternative sanctions to prosecution, generally where the offences did not warrant the costs and consequences involved in prosecution as a first option. In making this decision the customer's full circumstances were considered, including their financial situation. The main purpose of a caution or administrative penalty was considered to be ensuring that the customer understands the seriousness of their offending and to prevent any further fraud being committed or overpayments on their claim.
- 3.21 The minimum administrative penalty payable is £350 and this was usually only offered when there was a realistic chance of recovering this amount in addition to the overpayment within a reasonable period of time. This practice was in place for some time and cautions were usually offered when an administrative penalty was not considered appropriate for this reason.
- 3.22 Very few repeat investigations were carried out on customers who had accepted either a caution or administrative penalty which demonstrates the deterrent 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, 8 of the Housing Benefit overpayments on cases closed during this period were each over £5,000 and are therefore likely to take a considerable time to recover.
- 3.24 The overpayments identified on Council Tax Support continued to increase, as the scheme is now in its third year of operation.
- 3.25 The expertise of the Investigation team has been retained in the creation of a new Compliance team. The team is the liaison point for the exchange of information between the Benefit team and the DWP to enable the successful investigation of Housing Benefit fraud to continue. The team will also continue to ensure that claims are

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referred back to the Benefit team for appropriate action if not accepted for investigation by the DWP.

- 3.26 The main focus of the Compliance Team has shifted to areas of non-compliance which have a financial impact upon the authority. Initially the team will be working on areas of the Council Tax system where additional income can be generated. Council Tax Support fraud remains the responsibility of the authority, so the team will continue to investigate this in appropriate cases but this will be on a much lesser scale than their previous investigation of Housing Benefit fraud.
- 3.27 Although this authority no longer has control over fraud investigation on Housing Benefit claims, we are still responsible 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 during 2016 which will increase assurance at the onset of new claims and when changes of circumstances are being notified. A robust review programme is also being introduced from April 2016 in order to proactively identify unreported changes in circumstances and reduce fraud and error within the caseload.
- 3.28 This will be the final report providing Housing Benefit Fraud information. There will be no quarter 4 report but 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**

- 3.29 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 control activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

**5. APPENDICES**

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| Appendix 1 - | Example cases           |
| Appendix 2 - | Demographic information |
| Appendix 3 - | Trends data             |

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**6. BACKGROUND PAPERS**

None

**7. KEY**

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