

AUDIT AND GOVERNANCE COMMITTEE

16th January 2014

BENEFITS INVESTIGATIONS 1st September 2013 – 30th November 2013

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	√
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 during 2013/14.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that, subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

- 3.1 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. There is an average of just over 8,100 live benefit claims at any one time and currently an average of 90 new claims and 618 changes in circumstances are decided each week.
- 3.2 £32m in Housing Benefit and Council Tax Benefit was paid in the financial year 2012-13.

Legal Implications

- 3.3 There are no specific legal implications.

Service/Operational Implications

- 3.4 Within the Benefits Service there is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigating any suspicions of fraudulent claims. This report provides information on activity to detect and prevent fraud during the period 1st September 2013 to 30th November 2013, as well as the outcome of investigations.

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Background

- 3.5 Just over half of the benefits caseload is made up of people of working age, which results in a large number of changes in circumstances when moving in and out of work and also claiming other out of work benefits.
- 3.6 Although some information regarding changes to DWP benefits and Tax Credits is received directly, the information that leads to that change isn't and remains an area of risk of fraud and error entering the system. It is necessary for us to make direct contact with the customers to establish the nature of the change but due to the quantity it is not possible to do this by any means other than by letter. We have developed a new form in an attempt to improve the quality of information we receive in response.
- 3.7 As both Housing Benefit and Council Tax Support are means tested there are potential financial incentives to under declare income and savings or not to report a partner who is working or may have other income.
- 3.8 The Investigation Service comprises a team of officers who have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS).

Activity

- 3.9 During the period covered by this report 225 fraud referrals were received by the team.
- 3.10 31% of these fraud referrals came from data matching. The majority of these were through the Housing Benefit Matching Service (HBMS) which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP).
- 3.11 Our live benefit caseload is submitted and cross matched on a monthly basis against DWP records relating to nationally paid benefits and private pensions, HMRC records relating to Tax Credits, work or savings as well as Post Office post redirection records.
- 3.12 10 of the data match cases were identified through the 2012/13 National Fraud Initiative (NFI) and 2 were raised as a result of matches through Locta, an additional data matching facility available to local authorities for prevention of fraud and debt recovery.
- 3.13 Data matching continues to be an excellent tool in detecting fraud but some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation.

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- 3.14 Approximately 26% of the fraud referrals received during the period came from members of the public.
- 3.15 About 2/3 of these referrals were made by phone call and the remaining 1/3 by email or letter.
- 3.16 An increase in referrals from members of the public is always experienced following reports of successful prosecutions in the local press and when interviewed under caution for benefit fraud offences many customers are more concerned that their names will appear in the local press than attending Court and the consequences of a criminal conviction. Press releases therefore continue to be our most valuable tool in the prevention of fraud and encouraging the public to report their suspicions.
- 3.17 The remaining referrals received, approximately 43%, were from official sources. The majority of these were within Redditch Borough Council (RBC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.18 A joint approach is taken on fraud referrals which relate to benefits paid by both RBC and the DWP to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This maximises staffing resources by preventing duplicate investigation work.
- 3.19 There were 45 positive closures during the period and 7 negative closures where following investigation no fraud or error was proven.
- 3.20 3 people were prosecuted in this period. 2 of these were for undeclared work and the other for an undeclared partner.
- 3.21 Cautions were accepted by 7 people. 6 of these were for undeclared or under-declared work and the other 1 for non-residency.
- 3.22 No Administrative Penalties were offered during the period. Under the Welfare Reform Act these penalties increased from an additional 30% to 50% of the overpaid benefit with a minimum of £350 and maximum of £2,000. Through our transformation work we have established the practice of considering the customer's full circumstances, including ability to pay a financial penalty when deciding on the appropriate sanction in each case. The DWP are no longer able to offer cautions as an alternative to prosecution and there have been occasions in joint investigations where the DWP have offered an Administrative Penalty and a caution has been offered for Housing/Council Tax Benefit/Support offences.

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- 3.23 A further 33 cases were closed as fraud/error proven with a change to entitlement and/or an overpayment of benefit established. Another 2 cases were closed as fraud/error proven but with no change to benefit or overpayment. Cases where payment has been prevented are included in this category.

Impact on other areas

- 3.24 The successful investigation of fraud can impact upon other areas of benefit administration. One of the biggest impacts is upon overpaid Housing Benefit and excess payments of Council Tax Support. On the files closed during the period of this report, the team identified £36k in overpaid Housing Benefit and £9k in excess Council Tax Support.
- 3.25 Investigations can also have implications on Council tenancies or other areas of the Council's services. In these cases the Investigation Officers work closely with appropriate Officers in order for all aspects to be covered. Likewise, if the investigation identifies a potential impact for an external service area, the information will be shared.

Future plans

- 3.26 Further information regarding the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans was given in the Autumn Statement by the Chancellor of the Exchequer on Thursday 5 December 2013.
- 3.27 In a letter addressed to Local Authority Chief Executives by the DWP it was confirmed that SFIS will be launched within DWP as a single organisation and implementation will commence in 2014. The letter said that they are looking forward to continuing close working with partners to enable the national rollout. Local authorities remain key partners and their expertise and knowledge continues to be invaluable in the development of SFIS. Current implementation plans are that SFIS will be implemented on a phased basis between October 2014 and March 2016. Consideration is also being given to trialling a small number of test sites before full roll-out commences. The DWP has taken the strategic business decision that in order to maintain an effective fraud investigation service it is keen for the staff assigned to this work to transfer with it but at this stage there is insufficient information to say conclusively whether TUPE will or will not apply.
- 3.28 It was also announced in the Autumn Statement and details given in a letter sent by the Rt Hon Eric Pickles MP to all Local Authority Leaders on 5 December that alongside the roll out of SFIS, the DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud. The package will include extra funding over 2014-15 and 2015-16.

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- 3.29 The introduction of the Council Tax Support (CTS) scheme also has implications for the Team. Powers to investigate CTS have been introduced will need to be incorporated into the local scheme. Because CTS offences are not within Social Security legislation there will be an effect on joint working with the DWP. SFIS plans include creating a national framework of protocol agreements to facilitate joint working and support mechanisms for non-welfare benefit fraud investigation.
- 3.30 A package of support, including extra funding over 2014-15 and 2015-16 has been announced to support new fraud investigator posts in order for councils to focus on non-welfare fraud. No details are yet available but consideration will be given for existing skills invested within the existing team to be used to investigate other areas of fraud.

Customer / Equalities and Diversity Implications

- 3.31 None specific.

4. RISK MANAGEMENT

Without effective counter fraud activity there is a high risk of claims being paid where there is no or reduced entitlement.

5. APPENDICES

Appendix 1 – Example cases

6. BACKGROUND PAPERS

None

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