

# **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

**23rd April 2015**

## **BENEFITS INVESTIGATIONS AND HOUSING BENEFITS OVERPAYMENTS - 1 October 2014 – 31 December 2014**

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	
Non-Key Decision	

### **1. SUMMARY OF PROPOSALS**

This report gives performance information in relation to Benefits Fraud Investigation and Housing Benefits Overpayment for the 3<sup>rd</sup> quarter of 2014/15

### **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<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 in relation to Housing Benefit and Council Tax Support amounted to just under £20m.
- 3.2 Successful investigation of fraud can impact upon other areas of benefit administration, particularly in identifying overpayments. £58,351.89 in Housing Benefit and £10,111.07 in Council Tax Benefit/Reduction were identified on the files closed during the period of this report.

#### **Legal Implications**

- 3.3 There are no specific legal implications.

#### **Service/Operational Implications**

- 3.4 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

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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

- 3.5 As at 31 December 2014 there were 5,998 live Housing Benefit claims and 7,047 Council Tax Reduction claims in payment. Just under half of the caseload is made up of customers of working age which results in a large number of changes on claims where people are moving into or out of work, changes in wages and claiming out of work benefits.
- 3.6 Housing Benefit and Council Tax Support being means tested benefits can tempt some customers to act fraudulently by under declaring income and savings, or not reporting a partner who is working or may have other income in order to gain financially. There is also a risk of error in the system.
- 3.7 During the period covered by this report covers 172 fraud referrals were received by the team.
- 3.8 85 (49.4%) of these fraud referrals were received as a result of data-matching.
- 3.9 59 of those came through the Housing Benefit Matching Service (HBMS). This is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP) which matches our live benefit caseload 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
- 3.10 The DWP also began matching Housing Benefit data against the real time information (RTI) that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC). DWP notify the Authority of cases where the claims could be in payment incorrectly during this period. This new data match resulted in the further 26 data-matching fraud referrals being received.
- 3.11 Although the results demonstrate that 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 as correct without further investigation.
- 3.12 45 (26.2%) of the fraud referrals received during the period were from official sources. Of these

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- 6 were received from the Department for Work and Pensions (DWP)
  - 34 from within Redditch Borough Council (RBC), mainly within the Benefit Team
  - 4 from staff within RBC Housing Department
  - 1 from another landlord/housing provider.
- 3.13 42 (24.4%) of the referrals came from members of the public.
- 3.14 35 of those referrals were made by anonymous telephone call, 2 by email and 5 by anonymous letter.
- 3.15 This information demonstrates that most members of the public prefer to raise their suspicions of fraud anonymously and an on-line reporting form is now available on Benefits pages within the RBC website to further encourage this.
- 3.16 Referrals from members of the public continue to increase following reports of successful prosecution cases in the local press giving details of the case and how to report suspicions of benefits fraud. Fear of having their names printed in the paper seems to be the biggest concern of customers who are being interviewed under caution for benefit fraud offences. This practice is therefore thought to deter others from offending.
- 3.17 Where benefits are in payment by both RBC and the DWP, a joint approach is taken on fraud referrals which if proven would have an effect on both in order to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This maximises staffing resources and also prevents the possibility of duplicate investigation work.
- 3.18 43 investigations were closed as follows during this period and fraud or error was established in all of these cases. Case examples are included in Appendix 1.
- 4 customers were prosecuted. The offences in 2 of these cases related to undeclared partners, 1 case to an undeclared private pension and the other to undeclared capital.
  - A caution was accepted by 1 customer, for undeclared work.
  - No administrative penalties were offered during the period. Consideration is always given to the customer's full circumstances, including their realistic ability to pay a financial penalty when deciding on the appropriate sanction in each case.

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- 32 cases were closed as fraud/error proven following an identified change to benefit entitlement and/or an overpayment established.
  - A further 6 cases were closed as fraud/error proven but with no change to benefit or overpayment. Cases in this category include those where payment of an incorrect claim has been prevented.
- 3.19 When an overpayment has been identified but a full investigation is not considered appropriate, customers are sent a letter reminding them of their duty to report changes in circumstances in order to prevent further overpayments, likelihood of a full investigation and possible sanction on their claim in the future.
- 3.20 The numbers of referrals and sources of those referrals received since April 2011 are set out in Appendix 2.
- 3.21 The continuing trend shows a reduction in referrals from the data-matching source. This is largely due to the automation of changes in DWP benefits and Tax Credits which has reduced the amount of fraud and error entering the system. The quality generally of the RTI referrals is far more reliable than that of HBMS referrals and will therefore result in a higher percentage of positive outcomes.
- 3.22 Quite a high number of referrals that are received will not be investigated for a variety of reasons. Duplicate referrals are often received, sometimes there is no benefit in payment or the information in the allegation is already correctly declared alleged or would have no effect on the claim.
- 3.23 Cases where the allegation will have no effect on the HB/CTS claim but could have an impact on DWP benefits or Tax Credits are referred to the appropriate organisation to investigate.
- 3.24 In some cases the initial referral and background enquiries will not provide sufficient intelligence for there to be a reasonable likelihood of proving fraud. Although a full investigation will not be carried out, in most cases the customer will be interviewed informally to review the claim and discuss the allegation appropriately.
- 3.25 Some of the investigations that are carried out will not establish fraud. Our aim is to keep this number to a minimum which ensures that resources are concentrated on cases likely to result in a positive outcome. There were no cases in this category for this period.

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- 3.26 Investigations often have implications on other areas of the Council's services, such as Council tenancies. In these cases the Investigation Officer works closely with appropriate Officers in order for all aspects to be covered. If the investigation identifies a potential impact for an external service area, the information will also be shared appropriately.
- 3.27 The shared Investigation Team across both Bromsgrove District and Redditch Borough is working effectively and will continue until February 2016 when the Housing Benefit investigation function transfers to the Single Fraud Investigation Service (SFIS).
- 3.28 The team will continue to investigate claims for Council Tax Support and record the outcomes in order for a decision to be made on the future of this and any further non Housing Benefit fraud investigation functions which will not transferring to SFIS.
- 3.29 During the period of this report the Government introduced a Fraud and Error Reduction Incentive Scheme. This scheme incentivises local authorities to proactively identify claims where there have been unreported changes in circumstances, meaning that too much benefit has been in payment.
- 3.30 A successful bid was made for start-up funding to enable mail shots and leaflets to be issued giving customers further information about their responsibilities to report changes in circumstances as they take place. This funding will also enable additional reviews to be carried out on claims where changes are likely to have taken place but haven't been reported.
- 3.31 A further fund has also been made available and bids have been submitted with a view to enhancing existing software to enable undeclared changes to be identified and targeted more accurately, for new claims against National Fraud Initiative data to identify discrepancies before payment and to develop external data-matching to enable the currently 'hard to identify' frauds, mainly relating to residency and undeclared partners.

### **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 overpayment of benefits.

## **4. RISK MANAGEMENT**

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and additional costs

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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 - Number of Referrals by source

6. **BACKGROUND PAPERS**

None

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