

**AUDIT, GOVERNANCE AND STANDARDS
COMMITTEE**

2nd July 2015

BENEFITS INVESTIGATIONS - 1 January 2015 – 31 March 2015

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

1. SUMMARY OF PROPOSALS

This report gives performance information in relation to Benefits Fraud Investigation and Housing Benefits Overpayment for the 4th 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 1st April 2014 to 31st March 2015 in relation to Housing Benefit and Council Tax Support amounted to almost £30.25m.
- 3.2 Successful investigation of fraud can impact upon areas of benefit administration, particularly in identifying overpayments. £70,519.11 in Housing Benefit and £10,998.75 in Council Tax Benefit/Support 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 across Redditch Borough Council and Bromsgrove District Council. Their purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority with regard to Housing Benefit and Council Tax Support claims. All members of the team have completed the nationally

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recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role

- 3.5 As at 31 March 2015 there were 6,030 live Housing Benefit claims and 7,043 Council Tax Support claims in payment. Approximately 58% of the caseload is made up of customers of working age meaning that there are a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.6 Although measures have now been in place for some time, which benefit both the customer and the Authority, to make these transitions easier to manage, it remains an area of risk of fraud and error entering the system. Both Housing Benefit and Council Tax Reduction are means tested benefits meaning that there are potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.
- 3.7 During this quarter 179 fraud referrals were received by the team.
- 3.8 Fraud referrals come from a variety of sources and can relate to any aspect of a claim. Both the source of referral and the fraud types are grouped in order for analysis to be carried out and performance monitored.
- 3.9 Referral sources are grouped as follows –
- From members of the public
 - From data-matching
 - From official source
- Further information on all 3 of these sources can be found in the following paragraphs.
- 3.10 Fraud types are also grouped into 3 categories as follows
- Accommodation related which includes alleged contrived tenancies, landlord fraud, non-commercial tenancies which have been created to take advantage of the Housing Benefit scheme and non-residency.
 - Income related which includes undeclared capital or income such as wages, pensions, other benefits or from sub-letting.
 - Household composition related which includes undeclared partners or other residents in the property.
- 3.11 94 (52.5%) of the fraud referrals received in this quarter were received as a result of data-matching
- 3.12 70 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) where our live benefit

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caseload is 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.

- 3.13 22 of data-match referrals came through the matching of real time information (RTI). This is another programme run by the DWP where Housing Benefit data is matched against the RTI information that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC). Any discrepancies are sent to the authority in a data file which is processed by the administration team. The results are recorded and fed back to the DWP then fraud referrals are raised in appropriate cases following completion of the action on the claim.
- 3.14 The remaining 2 data-match referrals were raised as a result of the latest National Fraud Initiative (NFI) exercise which is a national scheme now run by the Cabinet Office every other year, for the purpose of identifying fraud and error within and between Local Authorities across a variety of data sets.
- 3.15 Although results show that data matching continues to be an excellent tool in detecting fraud and error, 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. The NFI exercise is a very basic data match and therefore requires a high level of manual intervention in order to identify relevant cases. For example, all customers claiming Housing Benefit and/or Council Tax Support whilst also receiving a Local Government pension will be referred as a match even though the vast majority will have correctly declared their circumstances.
- 3.16 50 (28%) of the fraud referrals received during the period were from official sources. Of these
- 5 were received from the Department for Work and Pensions (DWP)
 - 39 from within Redditch Borough Council (RBC), mainly within the Benefit Team
 - 2 from staff within RBC Housing Department
 - 1 from another landlord/housing provider
 - 3 from the police
- 3.17 35 (19.5%) of the referrals came from members of the public, continuing to demonstrate the value of maintaining a high level of fraud awareness within the local community.

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- 3.18 28 of the referrals from the public were made by anonymous telephone call directly to the team, 1 through the DWP National Fraud Hotline and 6 by anonymous letter.
- 3.19 This indicates that the majority of members of the public reporting fraud still prefer to raise their suspicions of fraud anonymously by telephone, despite the on-line reporting form now being available on Benefits pages within the RBC website.
- 3.20 Where fraud referrals relate to benefits paid by both RBC and the DWP, wherever possible a joint approach is taken to ensure that the full extent of offending is uncovered and appropriate action taken by both bodies. This maximises staffing resources as depending on workloads either body can take the lead which also prevents duplicate investigation work .
- 3.21 65 investigations were closed as follows during this period and fraud or error was established in 64 of these cases:
- 1 customer was prosecuted. The offence related to undeclared capital and a summary of this case is given in Appendix 1.
 - 11 customers accepted a formal caution. The offences in all of these cases related to either undeclared earnings or other income.
 - 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.
 - 49 cases were closed as fraud/error proven following a change being identified to benefit entitlement and/or an overpayment established. 1 of these cases related to accommodation related referrals, 44 to income related referrals and the other 4 to household composition related referrals.
 - A further 3 cases were closed with a positive outcome recorded after the claims ceased to be paid within 4 weeks of contact with the customer as a result of the fraud referral. 1 of these cases related to the commerciality of the tenancy and the other 2 to undeclared partners. Background enquiries will have been carried out on the referrals in this category but there will have been insufficient evidence found to investigate fully and therefore the allegation has been discussed on an informal basis.
- 3.22 When an overpayment has been identified but a full investigation is not considered appropriate, customers are sent a letter reminding them of

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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.

- 3.23 The numbers of referrals and sources of those referrals received since April 2011 are set out in Appendix 2.
- 3.24 82 referrals were not 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.
- 3.25 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. During this period 18 referrals were passed to the DWP and 4 to other official bodies.
- 3.26 In cases where the initial referral and background enquiries does not provide sufficient intelligence for there to be a reasonable likelihood of proving fraud, the customer will be interviewed informally to review the claim and discuss the allegation appropriately. 2 further cases were referred for intervention on the claim during this period.
- 3.27 Some of the investigations that are carried out will not establish fraud. The aim is to keep this number to a minimum to ensure that resources are concentrated on cases likely to result in a positive outcome. There was one case in this category for this period.
- 3.28 Wherever investigations could also have implications on other areas of the Council's services, such as Council tenancies, the Investigation Officer works 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 also be shared appropriately.
- 3.29 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.
- 3.30 When deciding whether investigation is appropriate initially, the potential loss to public funds is the primary consideration which is 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.

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- 3.31 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.
- 3.32 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.
- 3.33 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.
- 3.34 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.
- 3.35 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 RBC as will processing data matches received from HBMS and NFI. Decisions have to be made over the next few months on the resources that RBC will need to retain from within the team in order to continue these functions.

Customer / Equalities and Diversity Implications

- 3.36 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

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