

AUDIT AND GOVERNANCE COMMITTEE

23rd January 2012

BENEFITS INVESTIGATIONS April – December 2011

Relevant Portfolio Holder	Councillor Michael Braley, Corporate Management
Portfolio Holder Consulted	√
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation service.

2. RECOMMENDATIONS

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

3. KEY ISSUES

3.1 Financial Implications

There are no specific financial implications.

3.2 Legal Implications

There are no specific legal implications.

3.3 Service/Operational Implications

Within the Benefits Service 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 gives performance information for the team from 1st April 2011 to 31st December 2011.

Background

3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. There are just over 8000 live benefit claims at anyone time and on average there are 99 new claims and 557 change in circumstances decided each week. Direct expenditure on Housing Benefit and Council Tax Benefit between April

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2011 and December 2011 was £25,590,606. Just over half the caseload are people of working age which results in a large number of claims from customers who are moving in and out of work and also claiming other out of work benefits. Although measures have been put in place to make this transition easier for customers, it remains an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Benefit are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working.

- 3.5 The Investigation Service comprises a Manager, two Investigation Officers and a Support Officer, although this last position is currently vacant. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS).

Activity

- 3.6 During the nine months this report covers there were 882 fraud referrals received by the team.
- 3.7 Approximately 25% of the fraud referrals received during the period came from members of the public. An increase in referrals from this source is always experienced following reports of successful prosecutions in the local press. It is common for customers who are being interviewed under caution for benefit fraud offences to be more concerned that their name will be in the paper than actually attending Court and the consequences of that. Press releases are therefore considered to be our most valuable tool in the prevention of fraud and encouraging the public to report their suspicions.
- 3.8 Approximately 40% of the referrals for the same period came from data-matching, the majority of these through the Housing Benefit Matching Service which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records. The other referrals under this category were raised as a result of the National Fraud Initiative. Although data matching is an excellent tool in detecting fraud, 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.
- 3.9 The remaining referrals, approximately 35%, received 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.

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- 3.10 Many fraud referrals relate to benefits paid by both RBC and the DWP. In these cases, 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 also maximises staffing resources by preventing duplicate investigation work.
- 3.11 There were 246 positive closures during the period and 6 negative closures where fraud/error was not proven following investigation.
- 3.12 12 customers were prosecuted in this period. Of these 6 were for undeclared partners, 2 for undeclared work, 3 for undeclared capital and 1 for non-residency.
- 3.13 Cautions were accepted by customers in 26 cases. 5 of these were for undeclared partners, 14 undeclared work, 1 undeclared capital, 1 undeclared other benefit, 4 undeclared other income and 1 non-commercial tenancy.
- 3.14 Administrative penalties were accepted by customers in 3 cases. 2 of these were for undeclared capital and the other for undeclared work.
- 3.15 A further 147 cases were closed as fraud/error proven with a change to entitlement and/or overpayment of benefit established. 20 customers closed their claim following informal interviews. 27 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

- 3.16 Active investigation of potential 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 Benefit. Between April 2011 and December 2011 the team identified £170,363.15 in overpaid Housing Benefit and £49,305.18 in excess Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.
- 3.17 Some investigations also have implications on Council tenancies. In these cases the Investigation Officers work closely with appropriate Housing Officers in order for all aspects to be covered. Likewise, if the investigations identifies a potential impact for any other service area either within RBC or externally, the information will be shared.

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Future plans

- 3.18 As part of the Government's Welfare reform plans it is proposed to combine local authority fraud investigation staff with those of the DWP and Revenues and Customs into a Single Fraud Investigation Service (SFIS). It is suggested that this SFIS will be better placed to prevent and investigate fraud when the new Universal Credit replaces several benefits, including Housing Benefit. Recent consultation has proposed that local authority investigation staff remain with their authority between 2013 and 2015 but work to DWP priorities, then between 2015 and 2017 move to the DWP as part of the SFIS.
- 3.19 There are also plans to create a new mobile regional task force to investigate claims in high fraud areas. The Task Force will eventually be driven by an Integrated Risk and Intelligence Service (IRIS) a central hub which gathers and processes data and intelligence on fraud, error and debt. IRIS will also coordinate the gathering of data from Credit Reference Agencies.
- 3.20 Additionally there are proposals to:
- Abolish cautions as a penalty for fraud and increase asset seizure
 - Introduce a three year loss of benefit for people convicted of serious fraud.
 - Impose a minimum fraud penalty of £350 and introduce a Civil Penalty of £50 for customer negligence
 - Work closely with Crimestoppers
 - Name and shame fraudsters in local areas
- 3.21 A further impact of the Welfare Reform bill is that Council Tax Benefit will not be part of the Universal Credit, instead local schemes are to be introduced from April 2013. Consultation is currently underway about what investigative powers will be required to detect and investigate fraud within these local schemes.

Customer / Equalities and Diversity Implications

None specific.

4. RISK MANAGEMENT

Without adequate performance monitoring arrangements there is a risk that improvements in the Benefits Service will not be achieved and that additional costs are 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.

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5. APPENDICES

Sanctions comparison compared to other districts in the County.

Example cases

6. BACKGROUND PAPERS

None

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