

Taunton Deane Borough Council

Corporate Governance Committee – 20 May 2013

Revenues and Benefits Investigation Team Report

Report of the Head of Revenues and Benefits

(This matter is the responsibility of Executive Councillor Mrs. Stock-Williams)

1. Executive Summary

<p>This report provides information to Members with an update on the activities and performance of the Fraud Investigations Team during 2012/13 as well as developments for the next financial year.</p>

2. Background

- 2.1 Fraud is a crime that undermines confidence in the benefit system. The work of Revenues and Benefits Investigation Team helps to redress this and contributes towards the Council improving its value for money in delivering effective services.
- 2.2 The Investigation Team conducts investigations into alleged fraudulent claims of Housing Benefit (HB) Council Tax Benefit (CTB) and Council Tax Support (CTS), as well as investigating potentially fraudulent applications under the “right to buy” scheme” and home improvement grants. The Team seeks to prevent fraud through raising awareness both internally and externally, prosecuting offenders and recovering losses.
- 2.3 The Investigations Team is made up of a Team Leader (who also undertakes supervision in recovery of overpaid Housing Benefit and Clerical Support staff) and 2 Investigators. Investigation staff are PINS qualified Accredited Counter Fraud Specialists and the Team Leader holds a management qualification for Professionalism in Security. Given the sensitive nature of their duties, Investigation Officers work to a specific Code of Conduct. They carry out their activities in accordance with the Social Security Administration Act 1992 and follow guidance from the Police and Criminal Evidence Act 1984 and Criminal Procedures and Investigations Act 1996 to bring a case to criminal prosecution.
- 2.4 The funding for counter-fraud activities is paid through the general administration grant the Council receives from the Department for Works and Pensions (DWP). The Investigation Team’s performance is monitored on a quarterly basis by line managers as well as being reported to the Executive Portfolio holder for Corporate Resources and the Council’s 151 Officer.

- 2.5 We currently have over 9,600 customers receiving HB or CTS in council owned, privately rented and privately owned properties and we pay benefit of over £37 million a year. Taunton Deane Borough Council has a duty to protect the public funds it administers. Our Anti-Fraud and Error Policy sets out in detail how we provide officers, Members and residents of Taunton Deane with assurance that as far as possible, we are taking all reasonable steps to protect the public funds we administer. Failure to investigate will see money leaving the Council by way of fraud and error and failure to tackle this could lead to qualified subsidy claims and loss of revenue to the Council.
- 2.6 It is important we focus resources on fraud reduction, to identify, investigate and rectify administrative weakness and assure Members of the integrity and quality of investigations. Countering fraud is the responsibility of everyone working or having responsibility in the Revenues and Benefits Service. It is an integral part of that administration for everyone to be aware of the risks.

3. The Revenues and Benefits Investigation Team

- 3.1 The team aims to reduce fraud and the risk of fraud by using effective processes to prevent, detect and investigate abuse of Housing Benefit, Council Tax Benefit and other income related benefits. The activities undertaken can be summarised as:
- Taking action against those who commit fraud and seeking to prosecute and sanction offenders where appropriate, in accordance with the Council's Anti-Fraud and Prosecution Policies;
 - Minimising the risks of landlord fraud and where it has been proven they have been involved in fraudulent activity, give consideration on whether we can continue to make direct Housing Benefit payments to them in the future under "Fit & Proper Person" rules;
 - Remaining compliant with the guidance set out in the Verification Framework and continued operation of the "do not re-direct" (DNR) scheme as well as security of prime documents.
 - Participation in data matching schemes such as the Housing Benefit Matching Service and National Fraud Initiative (NFI) as well as membership of the National Anti-Fraud Network (NAFN);
 - Promotion of an anti-fraud culture and provision of fraud awareness training to all staff involved in Revenues and Benefits administration;
 - Working closely with the Department for Work and Pensions (DWP) and other agencies to combat claim related fraud;
 - Publicising all successful prosecutions and use of the Council's website to publicise some of our most notable cases;
 - Recommendations of changes to working practices and procedures if weaknesses are identified;
 - Using all legislative powers available and sharing intelligence with other agencies where Data Protection Act permits;
 - Using the Operational Intelligence Unit (OIU) to assist us in obtaining employment and pension details;
 - Maintenance and support of the Benefit Fraud Hotline

4. Review of Performance

- 4.1 In 2012/13 the team received 320 referrals. Of these, once preliminary checks had been carried out, there was sufficient justification to conduct investigation into 205 cases.
- 4.2 The Council subscribe to two Data Matching schemes. A monthly match is conducted with the DWP (HBMS) using their own and HMRC records and a bi-annual exercise is undertaken through the Audit Commissions “National Fraud Initiative” (NFI).
- 4.3 We reviewed our Risk Management procedures (this review takes place annually) and amended them to meet current needs and expectations. All cases except those referred by HBMS are risk assessed.
- 4.4 The Team Leader thoroughly reviewed all closed cases as well as conducting on-going management checks and providing appropriate authorisation.
- 4.5 We remained committed to joint working with our CFIS colleagues at the DWP and continued to work to the DWP/LA Counter Fraud Joint Working Partnership Agreement.
- 4.6 We attended regular liaison meetings between South West Local Authorities and our CFIS colleagues.
- 4.7 The Investigation Team liaises with our local DWP CFIS team when deciding the most appropriate sanction. All sanctions are advised to our local CFIS team who update the DWP system (FRAIMS).
- 4.8 The following summarises our performance:

Reported fraud by year

Year	Referrals	Cases accepted for investigation
2010/11	227	100
2011/12	317	189
2012/13	320	205

Outcome of investigations

Year	Cases investigated	Cases sanctioned	Value of overpayments
2010/11	100	18	£78,842.33
2011/12	189	25	£60,012.72
2012/13	205	23	£116,872.94

Sanction activity

Year	Administrative Penalty	Formal Caution	Prosecution
2010/11	3	10	5
2011/12	4	7	14
2012/13	0	8	15

- 4.9 Of the 15 cases approved for prosecution in 2012-2013, 14 were successfully prosecuted and sentencing included fines, community service orders, conditional discharge and suspended custodial sentences. Wherever possible, press articles are released. This is integral to enhancing the reputation of Taunton Deane Borough Council to hopefully discouraging those individuals who may consider committing fraud. It also reinforces the perception of the honest majority of Taunton Deane residents, that we are committed to protecting the public purse.
- 4.10 Based on the recommendation of our local Department for Work & Pensions Office we use a Solicitor employed by Sedgemoor District Council who specialises in Benefit Fraud cases. This has proved to be a very successful partnership as the solicitor is extremely effective and provides a highly professional and cost effective service. This is demonstrated through increases in successful prosecutions since this arrangement began.
- 4.11 We actively pursue all overpaid Housing Benefit making use of all available recovery methods. Fraudulent overpayments that are recovered from ongoing Housing Benefit entitlement are collected at the enhanced Fraud Rate of £18 a week. Full recovery of overpaid benefit through invoicing is carried out within 12 months whenever possible.
- 4.12 The Investigation Team work closely with local partners, most significantly the DWP Investigation Team. This year has seen an increase in referrals from the Housing Benefit Matching Service (HBMS). National Fraud Initiative (NFI) 2012/13 data matches were received with referrals being dealt with by the Investigation Team.
- 4.13 The principal sources of allegations are from anonymous referrals and from the Housing Benefit Matching Service (HBMS). The nature of the fraud allegation is varied, but the majority of investigations are where there is a suspicion a customer has failed to declare they are living with a partner. These cases are known as "Living Together as Husband and Wife - LTAHAW).
- 4.14 We still target performance against old Best Value Performance Indicators. In 2012/13 we carried out 37 investigations for every 1,000 claims – this was against a target of 29 investigations. For the same period, we obtained 3 sanctions for every 1,000 claims.
- 4.15 These measures do not necessarily correlate with the success of our efforts to prevent and detect fraud. The service aims to provide a secure gateway to the benefits system for those who are entitled to it and actively discourage those who have fraudulent motives from entering the system. High results could be viewed as desirable for the above measures as it could be indicative of an active and effective investigative regime. However, it could equally point to ineffective verification leading to fraud and error entering the system. It could also point to the authority failing to adequately convey a "zero tolerance to fraud" message to customers. We therefore take a holistic view whereby we carry out effective investigations to detect fraud while balancing this with preventative measures.

5. The Future

- 5.1 The changes within the UK Government's Welfare Reform Bill include the introduction of Universal Credit from 2013. Universal Credit will replace income related benefits (including Housing Benefit) over the period 2013 to 2017 and will be administered by the DWP.
- 5.2 As part of this reform a Single Fraud Investigation Service (SFIS) will be created. SFIS is a key part of the Government's strategy in tackling fraud and error within the tax credits and benefits system by £1.4bn nationally by March 2015. SFIS will consist of Local Authority, DWP and HMRC and will be responsible for conducting single investigations covering the totality of benefit fraud. This will include Housing Benefit, but not the Local Council Tax Support Scheme.
- 5.3 The SFIS pilots and pathfinders will be implemented from April 2013 until March 2015 when LA investigators will become SFIS in name and then transfer over by 2017. It is still unclear as to when policies/terms and conditions will change
- 5.4 Representatives from LA's and DWP met in August 2012 and agreed 4 pilot studies to look at the SFIS process. Each of the four pilots (Corby, Glasgow, Hillingdon and Wrexham) will test specific aspects of the Service. Until such time that the pilots have been completed and evaluated, it is agreed that Council Investigation staff will remain located and employed locally, continuing to take the lead in investigating Housing Benefit and the new Council Tax Scheme. It is anticipated that there will be no impact on service delivery until April 2014 at the earliest.
- 5.5 The Audit Commission's report in 2012 "Protecting the Public Purse" (Appendix 2) identified high risk fraud that in Taunton Deane would be concentrated on:
 - Business Rates
 - Council Tax Support Scheme
 - Housing Tenancy Fraud
 - Right to Buy
- 5.6 Taunton Deane Borough Council faces significant changes in the services we provide, including:
 - The ability to retain half of the local business rates we collect from April 2013
 - An increase in the discount available under Right to Buy Legislation from April 2012
 - The function of administering Local Council Tax Support from April 2013
 - Creation of a Single Fraud Investigation Service (SFIS) from April 2014
- 5.7 The Revenues and Benefits Investigation Team acknowledge there are significant changes and the challenge this will present. However, this is also an opportunity for consideration to be given on a corporate approach to Fraud Investigation.

- 5.8 Over the next two years there is an opportunity for the Investigation Team to review the resources needed to commit to the Single Fraud Investigation Service (SFIS) over 2013/14 and 2014/15 and to realign activity to high risk corporate fraud areas to realise additional income or reduce expenditure for the Council. The Team consists of qualified and dedicated individuals who maintain a high professional standard and are committed to being flexible and have a desire to meet any new challenges head on.
- 5.9 Any corporate investigation service would aim to investigate allegations of corporate or benefit fraud and proactively seek out fraudsters, using an intelligence led approach to the prosecution of offenders through the Court System. To address the changes, it will be necessary for the Investigation Team to concentrate upon two distinct areas:
- Developing the role from what is essentially a benefit fraud investigation remit into a wider corporate anti-fraud role.
 - Strengthening the Council's Fraud and Corruption Risk Management and its Corporate Governance, through promoting greater awareness of the fraud risk.
- 5.10 The main fraud risks to the Council will be identified and work targeted to areas which are most likely to generate the highest level of income or reduction in expenditure. In addition, the team will help further improve existing arrangements for the prevention and detection of fraud and corruption, with close liaison with SWAP.
- 5.11 By adopting a "phasing in process", the Council will be in a position to establish the viability of a formal Corporate Fraud Team as potential income levels (grant and fraud recovery income) will be clarified. This will enable a formal business case to be drawn up to support the creation of a Corporate Fraud Team that could have a key role in combating fraud and corruption across Taunton Deane Borough Council and would also generate income and/or reduce expenditure through reducing fraud losses. Administration grant funding from the Government will remain throughout this "phasing in" period, and so there is no financial risk to the Council.
- 5.12 Due to a change in funding arrangements from 2013-14 it will be essential that the Council continues to ensure fraud in respect of Council Tax Support is investigated and full use of available deterrents employed. This is because future funding will be based on a pre-determined grant rather than the previous arrangements when expenditure was covered by Department for Work and Pensions at the end of the financial year. Protecting funds will mean that monies claimed fraudulently can be re-directed to those most in need. We will also carry out our annual review of Council Tax discounts to identify potential single person discount fraud.
- 5.13 Local Authority powers to investigate and prosecute fraudulent claims for Council Tax Benefit are not available for use in localised Council Tax Support schemes. While false claims for Council Tax Support will remain a possible offence under the Fraud Act 2006, replacement powers and offences have been set out in the Detection of Fraud and Enforcement Regulations 2013 (SI 2013/501) to ensure Councils can secure evidence of wrongdoing and prosecute.
- 5.14 We will need to authorise individuals to undertake investigations and require information from individuals/organisations. The powers to require information are broadly similar to those available for Housing Benefit and Council Tax Benefit.

However these new powers are restricted to the “prevention, detection and securing evidence of the commission of an offence”.

- 5.15 Offences have been created, that cover
- (a) Intentional delay or obstruction of an authorised officer,
 - (b) Making a false statement to obtain a reduction and
 - (c) Knowingly failing to give a prompt notification of a change in circumstances affecting a reduction.
- 5.16 We will be able to offer to impose a penalty on an individual, rather than undertake a prosecution. If the person agrees, then they will need to both repay the outstanding council tax and pay a penalty. The level of the penalty will be calculated based on 50% of the “excess reduction” that the person received. This “excess reduction” would be from the date that the incorrect reduction was awarded, to the date that we become aware (or reasonably should have become aware) that it had been awarded. The minimum penalty is £100 with the maximum being £1,000.
- 5.17 There are similar powers for us to impose fixed financial penalties (£70), to those currently available in relation to council tax discounts:
- (a) Where a person is negligent in making an incorrect statement or
 - (b) Where a person, without reasonable excuse, fails to notify a change in circumstances,

In both cases, these are for situations where the person is not believed to have committed a criminal offence.

- 5.18 We will need to amend our Anti-Fraud and Error Policy to ensure we set out how we will deliver penalties as an alternative to prosecution. We will also need to decide on administrative processes to ensure consistency of approach in the imposition of non-criminal penalties as well as issuing notices to individuals and including the penalty on the Council Tax bill.

6. Finance Comments

- 6.1 Annual expenditure on Housing and Council Tax Benefit in 2012/2013 was in excess of £37m. The Council has a duty to protect the public purse and the Anti-Fraud and Error Policy assists in minimising potential loss to the Council.
- 6.2 The government provides Administrative Subsidy to the Council for the Benefits service, some of which is intended to be used to offset the cost of anti-fraud measures.
- 6.3 In Somerset, the cost of Council Tax collection and fraud investigation is borne by District Councils. The County Council receives a larger share of the Council Tax and would therefore receive the greatest part of the additional income that arises from identifying single person discount fraud. However, the County does not contribute financially to the cost of identifying any fraud.
- 6.4 Any income raised from Single Person Discount Fraud penalties would be kept by Taunton Deane Borough Council. The cost of prosecutions under the Fraud Act is borne by Taunton Deane Borough Council and as such, prosecutions should only be taken where it is financially viable to do so.

7. Legal comments

- 7.1 The legislation concerning matters within the Revenues & Benefits Service’s Anti-Fraud and Error Policy is mainly contained in:

- Social Security Administration Act 1992
- The Fraud Act 2006
- Regulation of Investigatory Powers Act.
- Local Government Finance Act 1992
- Police and Criminal Evidence (PACE) Act and the Criminal Procedure and Investigations Act.

8. Links to Corporate Aims

8.1 HB, CTB, CTS, Council Tax and Business Rates administration is most closely linked with the corporate aim of 'Tackling Deprivation and Sustainable Community Development'.

9. Environmental implications

9.1 Not applicable

10. Community Safety implications

10.1 Not applicable

11. Equalities Impact

11.1 Legislation is fully complied with during an investigation and therefore no-one is disadvantaged within our prescribed processes. An Equality Impact Assessment was completed for our Anti-Fraud and Error Policy and is shown in Appendix 1.

12. Risk Management

12.1 There is a risk that fraud and error will occur. However this is managed through the controls and policies that Taunton Deane Borough Council has in place. Fraud referrals are risk assessed and intelligence graded in relation to level of risk involved before being accepted for investigation/rejection

13. Partnership Implications

13.1 None arising from this report.

14. Recommendations

14.1 The Corporate Governance Committee is requested to note and support the activities contained in this report.

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Impact Assessment form

What are you completing this impact assessment for? E.g. policy, service area	Revenues & Benefits Service Investigation Team Anti Fraud & Error Policy		
Section One – Aims and objectives of the policy /service			
<p>Taunton Deane Borough Council is committed to ensuring that claimants receive the benefits and discounts to which they are entitled and will ensure that benefits and discounts are taken up by those people who need access to the service. However, the Council recognises that some people will try to obtain benefits and discounts to which they are not entitled. The Council will not tolerate abuse of the system and will take proactive and reactive steps to prevent and detect fraud and recover overpayments.</p> <p>This Policy details our approach to reduce the opportunity for fraud and error to occur and sets out our commitment to use all legal sanctions available, including prosecution</p>			
Section two – Groups that the policy or service is targeted at			
<p>We have a statutory duty to provide benefit or discounts regardless of the gender, sexual orientation, religion or belief or ethnicity of the customer. People of all ages will be our customers. However statutory provisions will apply in the calculation of Housing Benefit or Council Tax Benefit dependent on age. Additional Housing Benefit or Council Tax Benefit is payable where there is a specific impairment/disability benefit in payment. Discounts for Council Tax will be applied where there is a specific impairment/disability to be considered.</p>			
Section three – Groups that the policy or service is delivered by			
Taunton Deane Borough Council's Revenues & Benefits Service.			
Section four – Evidence and Data used for assessment			
<p>Annually we carry out a satisfaction survey of Revenues & Benefit customers. Data provided shows no evidence of dissatisfaction as a direct or indirect result of how we deliver our service in meeting our duties under the Equality Act 2010.</p>			
Section Five - Conclusions drawn about the impact of service/policy/function on different groups highlighting negative impact or unequal outcomes			
<p>The Anti-Fraud & Error Policy aims to prevent, detect and deter Housing Benefit, Council Tax Benefit and Council Tax Discount Fraud in Taunton Deane Borough. It provides:</p> <ul style="list-style-type: none"> • Assurance to residents of Taunton Deane Borough Council that those who attempt to defraud will be sanctioned; • Consistency of approach in dealing with cases of proven fraud • Guidance for Officers • Ensures good stewardship and that we are proactive in addressing fraud <p>As the policy will be applied consistently regardless of the gender, sexual orientation, religion or belief or ethnicity of the customer, there should be no negative or unequal outcome on different groups.</p>			
Section six – Examples of best practise			
<p>Our policy has been developed taking into consideration advice given by the DWP HB/CTB Good Practice Guide, "Carrying out Counter Fraud Activities"</p> <p>http://www.dwp.gov.uk/local-authority-staff/housing-benefit/performance-and-good-practice/hbctb-good-practice-guide/part-one-good-practice/carrying-out-counter-fraud/</p>			
Signed: Manager completed by		Signed: Group Manager/Director	