

# Item 8

AUDIT COMMITTEE

23 APRIL 2007

## REPORT OF THE DIRECTOR OF RESOURCES

### PORTFOLIO: PROSPEROUS BOROUGH

### ANNUAL BENEFIT FRAUD REPORT-2006/07 FINANCIAL YEAR

#### 1. SUMMARY

- 1.1 The purpose of the Report is to review the results of investigating allegations of Housing and Council Tax benefit fraud during the 2006/07 Financial Year.

#### 2. RECOMMENDATION

- 2.1 To note the progress in investigating alleged benefit fraud during the 2006/07 financial year.

#### 3. BACKGROUND

- 3.1 Sedgefield Borough Council is committed to preventing and detecting fraud. The Council recognises that benefit fraud in particular is difficult to prevent and subsequently detect, without the assistance of the public and data matching with other agencies.
- 3.2 A reduction in the level of fraud remains one of the Benefits Section key priorities.
- 3.3 A dedicated Benefit Fraud Team form an important part of the Council's Benefit Services consisting of the following Officers:
- Senior Benefits Officer (Fraud and Investigations)  
Investigations Officers (2)  
Clerical Assistant
- 3.4 In addition to the Dedicated Fraud Team , the Senior Benefits Officer (Fraud and Investigations) is also responsible for 2 Interventions Officers who review benefit claims during the year and undertake home visits and postal checks. From April 2007 they will also be working towards assisting the Section to achieve the Governments new target for the Council to reduce the amount of fraud and error in benefit claims. The target set for this Council is to find reductions in benefits from 6880 claims within the present caseload of approximately 11,500 claimants.
- 3.5 A Benefit Anti-Fraud Policy has been introduced to ensure a consistent and rigorous approach is followed to prevent and detect fraud.

- 3.6 As well as ensuring that arrangements are made to ensure that the overpayments will be recovered, the Policy states that specific outcomes, known as sanctions, can be imposed on claimants who have submitted fraudulent benefit claims.
- 3.7 There are a number of different sanctions available to the Council following a successful investigation namely :-
- Prosecution
  - Issue of a formal caution
  - Issue of an administration penalty (fine)

#### **4. OUTCOME OF INVESTIGATIONS**

- 4.1 During the 2006/07 financial year, the Investigations Team received 780 cases of suspected fraud following anonymous letters and telephone calls from the public, mainly using the Benefits Fraud Hot Line (0800 783 0050), tip offs from other Departments and data matching information from other agencies. The Team were able to investigate a total of 607 cases, including 226 received from the Housing Benefit Matching Service.
- 4.2 In respect of 420 of the cases investigated, sufficient evidence was obtained to confirm that a total value of £399,689 fraudulent overpayments had been made of which only £34,273 (8.6%) remains to be paid.
- 4.3 These investigations have resulted in the issue of 46 sanctions being issued in accordance with the Council's Sanctions Policy, including 10 prosecutions, 21 cautions and 15 administration penalties details of which are as follows.

##### **Prosecutions**

During the year 10 claimants were successfully prosecuted for having made fraudulent claims totalling of £24,799. The Court sentences included fines of up to £200 (2 cases), community orders of up to 12 months (3 cases, including 1 who was ordered to undertake 100 community hours) and in 5 cases, conditional discharges of up to 24 months were imposed.

The overpayments are being recovered, usually on a weekly basis or from a reduction to an ongoing benefit entitlement. One offender did make a repayment of £2,896 in full.

##### **Cautions**

21 Cautions were issued in accordance with the Council's Sanctions Policy in respect of £15,006 fraudulent claims.

##### **Administrative Penalties**

15 Administrative Penalties were issued in accordance with the Council's Sanction Policy in respect of £13,496 fraudulent claims. The total value of the Penalties imposed amounted to £4,049 i.e. 30% of the value of the fraudulent overpayment.

- 4.4 The types of fraud committed included
- undeclared tax credits, work, income or capital,
  - claiming income support or job seekers allowance when working,
  - couples living together but claiming to be in a single person household and
  - "non residency's" where people claim to be living in a property but live elsewhere

- 4.5 Joint working with the Department for Work and Pensions (DWP) is still ongoing and has been working well throughout the year with 2 successful prosecutions undertaken on our behalf by the DWP solicitors and 3 Joint Cautions and 1 Administrative Penalty issued. These figures are included in paragraph 4.3 above.
- 4.6 During the year there were 4 directed surveillance activities undertaken by the Fraud Team as part of our joint working arrangements with the DWP. These were carried out in accordance with the Regulation of Investigatory Powers Act 2000 (RIPA) regulations. Of these cases, one led to sufficient evidence been gathered to allow the potential fraudulent claimant to be formally interviewed by Fraud Team. As a result the claimants benefits have been withdrawn and a Caution is going to be offered in accordance with the Council's Sanctions Policy.
- 4.7 The bi annual data matching exercise undertaken by the Audit Commission, the NFI (National Fraud Initiative) commenced in January 2007. This involves information being sent to local authorities to highlight possible discrepancies in benefit claims. All of the cases referred to the Council have been looked at and 14 cases are currently being investigated.

## **5. RESOURCE IMPLICATIONS**

- 5.1 It is estimated that the Council granted approximately £31m housing benefits during the 2006/07 financial year and will be able to claim all of that sum from the DWP.
- 5.2 Unfortunately local authorities no longer receive any financial incentives from the DWP to detect fraud. The rewards for issuing sanctions had previously been used to generally support the benefit service and the reduction in income from the DWP was taken into account in the setting of the budget for the 2006/07 financial year. Every effort will continue to be made to prevent and detect fraud despite the withdrawal of the incentives
- 5.3 The amount of benefit fraud identified during the financial year represents less than 1.3% of the total value of benefits granted during that period.
- 5.4 The total direct cost to the Council of providing the Fraud Team during 2006/07 was £95,886, excluding the costs of the Interventions Officers, supervision, support service costs, office accommodation etc.

As the Government provides a formula-based Administration Grant to the Council to meet the costs of providing a local Benefit Service within its area which must include the provision of a fraud prevention and detection activity, there is no cost falling on the Borough Council for this service. It is for the Council to determine the appropriate staffing resources to be allocated to either the processing of claims (for which national performance standards and targets are set and measured) and/or to deal with the prevention and detection of fraud. The Government does suggest that, as a guide, that they expect local authorities to direct around a third of their total allocation to the "security of benefits" through effective reviews, visits and counter-fraud investigations.

The total Administration Grant received from the Government during 2006/07 was £1,035,468.

## 6. CONSULTATION

- 6.1 The Council is regularly in discussions with other agencies and other local authorities to consider best practice in the prevention and detection of fraud.

## OTHER MATERIAL CONSIDERATIONS

### 7. LINKS TO CORPORATE OBJECTIVES/VALUES

- 7.1 The prevention and detection of housing benefit fraud meets the Council's Corporate Values of
- Being responsible with and accountable for public finances
  - Taking into account crime

### 8. RISK MANAGEMENT

- 8.1 It is important that adequate and suitable arrangements are made to prevent the risk of fraudulent claims being made against the Council.

### 9. HEALTH AND SAFETY

- 9.1 Arrangements are made to minimise the risk to the health and safety of Officers when carrying out their investigations.

### 10. EQUALITY AND DIVERSITY

- 10.1 The present Policy is under review following the introduction of new legislation to prevent age discrimination

### 11. LEGAL AND CONSTITUTIONAL

- 11.1 There are no new Legal or Constitutional issues arising from this report.

### 12. CRIME AND DISORDER

- 12.1 It is important that the Council makes reasonable arrangements to detect and prevent fraudulent Benefit claims being made.

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**Ward(s):** Not Ward Specific

**Key Decision Validation:** Not a key decision

**Background Papers:** None

**Appendices** None

**Examination by Statutory Officers:**

	<b>Yes</b>	<b>Not Applicable</b>
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. Management Team has approved the report.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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