

Item 6

AUDIT COMMITTEE

2nd June 2008

REPORT OF THE DIRECTOR OF RESOURCES

Portfolio: SOCIAL REGENERATION AND PARTNERSHIP

ANNUAL BENEFIT FRAUD REPORT - 2007/08 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 2007/08 Financial Year.

2. RECOMMENDATION

- 2.1 To note the progress in investigating alleged benefit fraud during the 2007/08 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 The Council's approach is in line with the national position with the Government through the Department of Work and Pensions (DWP) strongly promoting the need to investigate and appropriately punish cases of fraud. This has been made harder for local authorities, however, with the withdrawal of specific financial rewards for the issuing of sanctions and also an annual reduction in administration grant. The message still remains a strong one and it is not expected that reductions in financial support will diminish the strong push against fraud.
- 3.3 Therefore, a reduction in the level of fraud remains one of the Benefits Section's key priorities.

Staffing

- 3.4 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

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 have also been involved in assisting the Section to achieve the Government's target for the Council to reduce the amount of fraud and error in benefit claims.

DWP Performance Standard

- 3.5 The target set for this Council in 2007/08 by the DWP was to find reductions in benefits from 6880 claims within the present caseload of approximately 11,500 claimants. As a result of the loss of personal data between Government departments in autumn 2007, the reductions target was revised from 6880 to 3150. This was based on results for the first 6 months. The Section achieved 3248 reductions resulting in a top rating of 4 being achieved in terms of the DWP Performance Standards.

No Housing Benefit Matching Service referrals were received since December 2007, due to the data exchange problems. This is expected to be resolved by the end of May 2008.

The performance measure for reductions has been removed in 2008/09 following the introduction of a limited number of new National Indicators of which only 2 relate to the whole of the benefits service.

Policy

- 3.6 A Benefit Anti-Fraud Policy is in place to ensure a consistent and rigorous approach is followed to prevent and detect fraud.

Sanctions

- 3.7 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.

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 2007/08 financial year, the Investigations Team received 671 cases (780 previous year) 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 505 cases (607), including 186 (226) received from the Housing Benefit Matching Service.

- 4.2 In respect of 345 (420) of the cases investigated, sufficient evidence was obtained to confirm that a total value of £295,957 (£399,689) fraudulent overpayments had been made, of which only £30,821 (10.4%) (£34,273 (8.6%)) remains to be paid.
- 4.3 These investigations have resulted in the issue of 87 (46) sanctions being issued in accordance with the Council's Sanctions Policy, including 13 (10) prosecutions, 69 (21) cautions and 5 (15) administration penalties, details of which are as follows.

Prosecutions

During the year 13 (10) claimants were successfully prosecuted for having made fraudulent claims totalling of £47,513 (£24,799). The Court sentences included fines of up to £400 in respect of 6 cases (2), community service orders of up to 12 months were imposed in 2 cases (3), including 1 who was ordered to undertake 150 hours unpaid work, in 3 cases (5), conditional discharges of up to 12 months were imposed and in 2 (nil) cases, 18 and 12 months supervision orders were also 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 £5,430 (£2,896) in full.

Cautions

There were 69 (21) Cautions were issued in accordance with the Council's Sanctions Policy in respect of £54,807 (£15,006) fraudulent claims.

Penalties

There were also 5 (15) Administrative Penalties were issued in accordance with the Council's Sanction Policy in respect of £5,542 (£13,496) fraudulent claims. The total value of the Penalties imposed amounted to £1,662 (£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-residencies" 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 (2) successful prosecutions undertaken on our behalf by the DWP solicitors and 3 (3) Joint Cautions and no (1) Administrative Penalties were issued during that year. These figures are included in paragraph 4.3 above. There are a further 29 joint working cases in progress, where an interview under caution has been conducted and a sanction expected on each case.
- 4.6 During the year there were 6 (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, 4 led to sufficient evidence been gathered to allow the potential fraudulent claimant to be formally interviewed by the Fraud Team. As a result the benefits paid to 4 claimants have been withdrawn and sanctions imposed 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 involved 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 21 cases investigated in 2007/08. This exercise has now been fully completed and although no sanctions were issued, total overpayments of benefits amounting to £2,044.45 were identified in respect of 3 claimants.
- 4.8 A joint operation was also undertaken in the year between the fraud investigation team, the Taxi Licensing Section, the Vehicle and Operator Services Agency (VOSA), HM Revenue and Customs and Durham Constabulary. Operation "Taxi Check" involved 2 police vehicles patrolling Sedgefield Borough and pulling over taxis and mini buses. The vehicles were directed to Chilton Depot where all the parties involved carried out their checks. This resulted in 5 potential fraudulent Benefit cases being identified and further investigations are ongoing.

5. RESOURCE IMPLICATIONS

- 5.1 It is estimated that the Council granted approximately £32.5m (£31m) housing benefits during the 2007/08 financial year and will be able to claim that entire sum from the DWP.
- 5.2 This includes an allowance for overpaid benefits. This means that if the authority is successful in recovering the overpayments then there is a financial benefit to the authority.
- 5.3 The amount of benefit fraud identified during the financial year represents less than 0.9% (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 2007/08 was £85,534 (£84,331), excluding the costs of the Interventions Officers, supervision, support service costs, office accommodation etc. Indirectly, all the Benefit Assessors are also constantly vigilant to the potential of fraudulent claims being made against the Council and will refer cases to the Fraud Team on occasions when their suspicions are aroused.
- 5.5 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, and as the authority contains its total costs within the funding provided by the government, 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.

5.6 The Government does suggest that, as a guide, 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.

5.7 The total Administration Grant received from the Government during 2007/08 was £992,624 (£1,035,468) meaning that the cost of providing the fraud service within the Borough is significantly lower than that expected by central government making the performance all the more commendable.

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:

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input 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 type="checkbox"/>
4. Management Team has approved the report.	<input type="checkbox"/>	<input type="checkbox"/>