

Crawley Borough Council

Report No: FIN/272

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Report to Audit and Governance Committee

27 June 2012

Fraud and Inspections Team Report

1. Key Points

- 1.1 Joint working with Crawley Homes to tackle housing fraud has continued to be successful.
- 1.2 Benefit fraud investigations have continued to be successful, with seven sanctions imposed in the first two months (including one prosecution). 43 sanctions were imposed in 2011/12.
- 1.3 The Department for Works & Pensions have published a high level design plan for the Single Fraud Investigation Service.

2. Recommendations

- 2.1 **The Committee is requested to:**
 - a. **Note the report**

CHRIS CORKER
Fraud and Inspections Manager

3. Background

3.1 In June 2010 the Fraud and Inspections Service was formed. The purpose of their work is to:

- ensure housing benefit is paid to the right person and the right time;
- investigate reported anomalies and suspected fraud;
- ensure correct liability for council tax and national non domestic rates through property inspections: and
- assist in the recovery of arrears

3.2 This is the first report on the work of the Fraud Investigation and Inspections Team for 2012/13. It covers the period from 1 April 2012 to 6 June 2012. The report also includes final figures for 2011/12.

4. Activity for the Quarter

4.1 Between 1 April 2012 and 10 June 2012 the team received 46 referrals, the starting point for a potential investigation.

4.2 As at 6 May 2012 there were 103 open investigations

4.3 On 31 May 2012 53 HBMS (Housing Benefit Matching Service) referrals were received via Benefits from the Department for Works & Pensions (DWP). This was the result of delays and the referrals are still to be allocated. In the short term this will increase our file holding by 50%.

4.4 The work undertaken in the period is summarised below:

<u>Activity</u>	<u>In period</u>	<u>2011/12</u>
Closed cases	61	376
Interviews Under Caution	8	80

4.4 The open cases are shared throughout the team, depending on their role and experience. The Fraud and Inspections Officers have fewer cases to reflect their wider taxation responsibilities.

4.5 We have continued to work jointly with Crawley Homes investigating various forms of housing fraud which include:

- Subletting
- Non occupation
- False succession applications

We continue to develop our investigation techniques into Housing Fraud and continue to be extremely successful in recovering properties. The Audit Commission estimate it costs councils on average £18,000 a year for each family they place in temporary accommodation.

5. Outcomes and Results

5.1 There are a number of possible outcomes of an investigation. The investigation may:

- be rejected because the referral provides insufficient grounds for investigation
- find no, or insufficient, evidence of fraud
- find errors that can be corrected because there was no intent to defraud – an overpayment may still result that will be recovered
- occasionally warrant sending a warning letter because though fraud has been identified, the circumstances of a case and/or person do not warrant more punitive action
- be passed to Department of Work and Pensions because housing and/or council tax benefit has been passported from income support, jobseekers allowance or pension credits
- result in fraud being proven and a sanction applied

5.2 During the period 1 April 2012 to 6 June 2012 the outcome of the 61 cases closed can be summarised as follows:

<u>Outcome of closed cases</u>	<u>This period</u>	<u>2011/12</u>
Referral rejected	2	41
No evidence of fraud	32	143
Overpayment raised (but no sanction) or claim corrected	8	64
Compliance visit request	2	34
Passed to DWP to investigate	10	51
Sanction imposed	7	43
Properties recovered by Fraud/Crawley Homes (keys returned)	7	23

5.3 Usually, where fraud is identified, a sanction will be applied. There are three possible sanctions:

- a. a caution
- b. an administrative penalty (a financial penalty equal to 30% of the amount of benefit fraudulently obtained)
- c. a prosecution

5.4 During the period the following sanctions have been applied:

<u>Sanction type</u>	<u>In period</u>	<u>2011/12</u>
Caution	4	21
Administrative Penalty	2	18
Prosecution	1	4
Amount of associated overpayment	£26,426	£104,133

5.5 One prosecution case has been concluded, which has been an ongoing case with Reigate and Banstead Borough Council. Mrs W had assets/properties in excess of £100,000 and failed to disclose this. We are awaiting sentencing.

5.6 To date the total overpayments of housing and council tax and DWP benefits recorded on closed cases during 2012/2013 by the investigation team amounts to £52,121. This amount includes all overpayments obtained by the investigation team. On average, the Council recovers around 65% of benefit overpayments raised.

5.7 The Committee will be aware that there was an improvement in performance throughout 2011/12 and this report shows that service continued to improve further throughout 2012/13 most notably in the area of prosecution, sanctions and work carried out on housing fraud.

6 Future Changes

6.1 The DWP published the SFIS High Level Business Design document on 30 April 2012. The key points from this document are:

- SFIS is the umbrella name DWP will give the organisation that will carry out welfare benefit and tax credit investigations from 2013
- DWP have stated that in addition to Local Authority (LA) investigators all LA fraud managers and support staff predominately involved in investigation and a small amount of Her Majesty's Revenues & Customs (HMRC) staff will become part of SFIS.
- Two models have been proposed. The first simply joins existing LA teams and structures under SFIS and the second looks at a more integrated structure of management and mixed teams from LA & DWP. However LA line management still remains while employed by LA.
- The Welfare reform act now passed gives investigators working under SFIS the power to investigate LA, DWP and HMRC offences.
- Possible Service Level Agreement requirements are identified to cover funding with LA's and performance management of SFIS. DWP mention the administration grant already paid to LA's.
- New technology (referral management) and training will be required to cover systems and benefits. Neither are in place and DWP are defining requirements
- The continuing SFIS project should bring together the expertise of all three services drawing on the best practices of each
- DWP vision is to support the right people at the right time. Their key fraud principles are Prevent, Detect, Correct, Punish and Deter; and to deliver a cost saving

- DWP's long term vision is for LA's to work under SFIS in 2013 and enter into phase 2 Transition and from 2017 enter into Phase 3 (presumably as DWP staff). There is a total lack of detail on how this will be achieved
- DWP will take over the role of investigating organised fraud in Tax Credits
- Detailed design will now take place over the next 6 months including confirming IT, establishing LA funding implications, possible pilots etc

7. Ward Members' Views

- 7.1. The work of the Fraud and Inspections Team does not impact on any specific wards.

8 Staffing, Financial and Legal Implications/Powers

- 8.1 None

9. Other Implications

- 9.1 None

10 Links to the Sustainable Community Strategy and Corporate Plan

- 10.1 The proposals contained in this report relate to the following key areas of the Sustainable Community Strategy

Community Cohesion	y	Community Safety	y
Young People and Children	y	Health and Well Being	y
Older People	y	The Environment	n
The Local Economy	y	Social Inclusion	y

The following key principles are applicable:-

(i) Working together	y
(ii) Dignity, respect and opportunities for all	y
(iii) Involving people	y
(iv) Making it last	y

The report relates to the following areas in which the Council operates to enhance the town and the quality of life of local people:-

(i) Prosperity	n
(ii) Community:	y
(iii) Environment:	n
(iv) Value for Money	y

11 Reasons for the Recommendations

- 11.1 The Audit and Governance Committee has the responsibility to review the effectiveness of the Councils anti-fraud and anti-corruption arrangements

12 Background Papers

- 12.1 Single Fraud Investigation Service – High Level Business Design – issued by the Department of Works and Pensions on 30 April 2012

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