

**REPORT TO: POLICY AND RESOURCES COMMITTEE – 11 NOVEMBER 2013**

**REPORT ON: COUNTER-FRAUD REPORT - AS AT 30 SEPTEMBER 2013**

**REPORT BY: DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 458 - 2013**

#### **1.0 PURPOSE OF REPORT**

This report is to inform the Elected Members on the Revenues Division's Housing Benefit and Council Tax Benefit Counter Fraud activity as at 30 September 2013

#### **2.0 RECOMMENDATIONS**

It is recommended that the Committee approve the Counter-Fraud Performance Report.

#### **3.0 FINANCIAL IMPLICATIONS**

The Council Tax Reduction Scheme was introduced on 1 April 2013 and replaced Council Tax Benefit. The Council received 40% subsidy from the UK Government for classifying any overpayment of Council Tax Benefit as fraud and error. As the Council Tax Reduction Scheme is not a social security benefit, it does not attract subsidy for any overpayment identified.

For financial year 2012/13, the Council received £35,512 in subsidy for overpayments of Council Tax Benefit identified by the Counter Fraud Team as fraud and error. The amount of subsidy received varied each year, as it depended on the number of cases the Fraud Team successfully investigated.

#### **4.0 MAIN TEXT**

Counter-fraud performance and comparison data for the previous year

- The total level of overpaid Benefits in the table below will still include elements of overpaid Council Tax Benefit as a result of counter-fraud activity whereby the period affected is prior to April 2013.
- The Department for Work and Pensions (DWP) who have in the past jointly investigated Council Tax Benefit fraud with the Council have confirmed that they will no longer investigate this area with the Council. The level of fraud risk associated with this new Council Tax Reduction scheme will require closer examination in the future to ensure it is effectively safeguarded.
- The level of Benefit overpayments identified as a result of counter-fraud activity has increased in comparison to the previous year. This was mainly due to the strategy by the Council and the DWP in targeting the more serious levels of fraud perpetrated against the Welfare scheme.
- The level of Sanctions and success rates on case closures have decreased in comparison to the previous year. Again, this is mainly due to the focus shifting to investigating the more serious fraud offenders. Another factor in this decrease is the local joint counter-fraud initiative with the DWP. Results from this pilot should be realised towards the end of the current financial year.

#### **5.0 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The Equality Impact Assessment carried out for report number 209-2012 on 22<sup>nd</sup> May 2012 fully addresses the content in this report.

2.

**6.0 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services.

**7.0 BACKGROUND PAPERS**

None

<b>M M Stewart</b> <b>Director of Corporate Services</b>	<b>Date:</b>	
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### COUNTER-FRAUD SECTION PERFORMANCE

POSITION STATEMENT AS AT 30 September 2013	2013-2014	2012-2013
Completed investigations	118	153
Investigations where either a reduction or cessation of benefit transpired	49	60
Percentage	42%	39%
Overall Benefit Overpayments identified by the counter fraud section (100% figure as opposed to 40% as used in the income table below)	£272,735	£182,515
Overall Benefit Overpayments identified by the counter fraud section including DWP overpayments (100% figure as opposed to 40% as used in the income table below)	£460,632	£258,145
Housing Benefit and Council Tax Fraud Overpayments	£68,037	£79,748
Housing Benefit and Council Tax Claimant Error Overpayments	£204,699	£102,767
DWP benefit Fraud Overpayments	£187,896	£75,630

#### SUBSIDY FROM HOUSING BENEFIT COUNTER FRAUD ACTIVITY (40%)

INCOME SOURCE	COUNCIL TENANTS HOUSING BENEFIT	PRIVATE TENANTS HOUSING BENEFIT	TOTALS
* Benefit Overpayments	£	£	£
Classified as Fraud	11,208	11,511	22,719
Classified as Claimant Error	14,075	48,713	62,788
Administrative Penalties created			2051
<b>TOTALS</b>	<b>25,283</b>	<b>60,223</b>	<b>87,557</b>

\* The Department for Work and Pensions pay subsidies to local authorities for administering the Housing Benefit scheme. There are certain areas of benefit spending where local authorities have scope to monitor and control costs and for such cases, subsidy is paid at a reduced rate. Where Housing benefit overpayment has been classified as fraud or claimant error, then the local authority receive subsidy to the value of 40% of these overpayments. The local authority will also endeavour to recover in full, from the claimant, the overpaid benefit.

COMPARISON	2013-2014	2012-2013
Fraud Overpayments	£22,719	£31,158
Claimant Error Overpayments	£62,788	£41,848
Administrative Penalties created	£2,051	£1,891

## POSITION STATEMENT QUARTERLY FRAUD STATISTICS

Housing Benefit overpayments identified by the counter fraud section from which 40% subsidy is received

	Q1 April - June £	Q2 July - Sept £	Q3 Oct - Dec £	Q4 Jan - March £	TOTAL FOR FINANCIAL YEAR
<b>2013-2014</b>	73,181	140,585			£213,766
<b>2012-2013</b>	37,769	94,499			£132,268

ACTIONS TAKEN	2013-2014	2012-2013
Prosecutions referred to Procurator Fiscal	11	26
Administrative Penalties	4	9
Administrative Cautions	2	7
Total Sanctions	17	42
Joint working sanctions	7	27
LA sanction variances (where action has been found necessary that is outside the Benefit Sanction Policy - once approved by Committee this aspect of our work is added to the policy)	0	0
Joint Working sanction variances	0	0

## PROSECUTION POSITION STATEMENT

	Guilty Verdicts		Not Guilty		*No Proceedings (reasons outside the Council's control)		** No Proceedings (reasons within the Council's control)		Reports referred	
	DWP led joint cases	LA cases including LA led joint cases	DWP led joint cases	LA cases including LA led joint cases	DWP led joint cases	LA cases including LA led joint cases	DWP led joint cases	LA cases including LA led joint cases	DWP led joint cases	LA cases including LA led joint cases
<b>2013-2014</b>	14	6	2	0	0	0	0	0	7	4
<b>2012-2013</b>	11	9	1	1	0	1	0	0	21	5

**HOUSING BENEFIT RECOVERIES AND FRAUD RETURNS (HBRF)**

With effect from 01April 2008 the Performance Standards have been replaced by the Housing Benefit Recoveries and Fraud returns.

HBRF	2013-2014	2012-2013
No of full time equivalent fraud investigators at the end of each quarter.	4	4
No of cases referred to the LA fraud investigation section during the quarter	297	273
No of cases subject to investigation by the fraud section that were closed during this quarter	56	94
Total number of cases under investigation that related to DWP administered benefits that were closed during this quarter	0	0
Number of cautions offered and accepted during the quarter	1	2
Number of administrative penalties offered and accepted during the quarter	3	6
Number of administrative penalties offered and accepted with a DWP benefit interest during the quarter	0	0
Number of cases accepted for prosecution during the quarter	3	*18
Number of cases accepted for prosecution with a DWP benefit interest during the quarter	0	0
Number of prosecutions resulting in guilty outcomes (include guilty pleas and verdicts) during the quarter	11	12
Number of prosecutions resulting in guilty outcomes with a DWP benefit interest during the quarter	0	0

\*The decision to prosecute rests with the Procurator Fiscal and the Council has no control over these particular statistics.

**PERFORMANCE AGAINST TARGET - ACTIONS TAKEN**

Target Type	Yearly Target	Achieved (DCC led)	Achieved (DWP led)	Combined total	% of year performance to date
Successful Prosecutions	30	6	14	20	67
Sanctions	60	10	7	17	28

**PERFORMANCE AGAINST TARGET - REFERRALS**

Target Types	Yearly Target	Achieved (average)	Target achieved to date
Receipt of referral (allegation) to assessing and allocating for investigation	10 days	9 days	yes
Outcome of referral assessment to start of investigation	28 days	1 days	yes

<b>RECOVERY OF BENEFIT FRAUD OVERPAYMENTS</b>	<b>2013-2014</b> %	<b>2012-2013</b> %
Paid in full	62.55	60.32
Automatic deductions from ongoing benefit entitlement	9.85	11.16
Arrangement in place	1.63	2.26
Total % cases recovered or where recovery in place	74.03	73.74
Total % non-recoverable cases (technical , LA or DWP error)	0.54	0.56
Total % write off cases	12.34	11.95
Total % cases where recovery procedures are still ongoing where the debtor has failed to put repayment procedures in place	13.09	13.75

<b>COUNTER-FRAUD REFERALLS RECEIVED</b>	<b>2013-2014</b>	<b>2012-2013</b>
Council Non-Revenues	20	18
Revenues	207	257
External to Council	381	311
Totals	608	586
Public (included in External to Council count)	209	189

<b>COUNTER-FRAUD IMPACT ON BENEFIT PROCESSING</b>	<b>2013-2014</b>	<b>2012-2013</b>
Total no of cases where matters raised by counter-fraud activity have required action by Revenues in order to secure the benefit system further against fraud	1	1

<b>INVESTIGATION PERCENTAGE SUCCESS RATE</b>	<b>2013-2014</b>	<b>2012-2013</b>
Percentage success rate on case closures	14.41	23.53
No of current live investigations	167	120

<b>COMPLAINT MONITORING</b>	<b>2013-2014</b>	<b>2012-2013</b>
No of complaints received in relation to our counter-fraud activity	0	0

<b>Marjory M Stewart</b> Director of Corporate Services	<b>Date:</b>	
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