

To: Audit and Governance Committee

Date: 18th December 2014

Report of: Head of Finance

Title of Report: Update on Fraud Investigation

Summary and Recommendations

Purpose of report:

To report to Members the Investigation Team's activity and performance from 1 April 2014 to 30 November 2014 and update on the progress of the team restructure, Department of Communities and Local Government grant bid and transfer of Housing Benefit investigation responsibilities to the Department for Work and Pensions.

Executive Lead Member: Councillor Ed Turner

Policy Framework: None

Recommendation: That the report be noted .

Appendices to report

Appendix 1 – Internal Investigations – Exempt from publication

Investigation Team performance for the period 1 April 2014 to 30 November 2014

1. The Investigations team continue to prevent, detect, deter and reduce the level of fraud perpetrated against Oxford City Council. Protecting the public purse is a key objective and essential to the financial stability of the organisation. By minimising losses to fraud there is increased assurance that Council resources are used for the purpose for which they are intended.
2. There are two Service Performance Indicators which are used to track the performance on a monthly basis. Performance for the 8 months ending 30th November 2014 is shown in the table below.

Investigations Team Performance for 8 months ending 30th November 2014				
Measure	Annual Target	Year to Date Target	Year to Date Achieved	Comment
Number of returned Social Housing dwellings through civil and criminal proceedings.	20	13.3	5	The measure has been affected by: <ul style="list-style-type: none"> • Staff absence • New staff undergoing training • Lower than anticipated number of returned properties in tenancy amnesty • 8 cases under notice • Proactive exercises underway to identify sub let and abandoned properties
Number of successful outcomes, increasing revenue for Council Tax and Business Rates	240	160	80	<ul style="list-style-type: none"> • Results thus far have been from reactive referrals. Proactive activity is planned from December 2014 as Housing Benefit work winds down in preparation for transfer to Single Fraud Investigation Service

3. The results shown above indicate some shortfall against target but there have been mitigating staffing issues from protracted absence and new staff training. It is considered that the performance will improve towards year end as the issues have been resolved. There are additional measures which the team monitor specifically in relation to Housing Benefit Investigations which are detailed below. This work will diminish after February 2015.

4. To date, the team have administered 12 Cautions, 2 Administrative Penalties (for £3,140) and have successfully prosecuted 10 individuals in the courts. The team has a policy of publicising every conviction in order to raise awareness, and to act as a deterrent. Sentences have included rehabilitation orders, community service, fines and imprisonment.
5. In the 8 month period 352 cases were investigated. Housing Benefit overpayments identified for recovery from the investigations completed in the period total £159,239 and Council Tax Reduction Scheme overpayments identified total £41,507. The weekly entitlement reductions achieved have created Housing Benefit savings of £429,116 and Council Tax Benefit / Council Tax Reduction Scheme savings of £35,355. This is calculated using the government assumption that a claim would have been paid incorrectly for a further 32 weeks before an anomaly is identified.

Housing Investigations

6. This area of work has been affected by external factors (staff absence and new staff training) and has yielded lower than expected results so far this financial year. Five properties have been recovered as a result of tenancy investigation activity saving the Council an estimated £90,000 in temporary accommodation costs. A further 8 properties are either under notice or with Legal for repossession.
7. Since April, two Right to Buy applications have been stopped saving the Council an estimated £150,000 in lost discount that would have been granted to the applicants. One was achieved by challenging information provided by the applicant which was suspected to be false. In the second case, the customer declared a source of capital that was intended to finance the property purchase. The bank account in question had been previously concealed when the customer claimed Housing Benefit five years previous. Full details of the account were obtained, an overpayment of £12,000 created, the Right to Buy application was refused, and the case is being referred for criminal prosecution.

Tenancy Amnesty

8. The Tenancy Fraud Amnesty began at the start of September 2014 and ran for a 2 month period, ending on 31st October 2014. The Amnesty was supported by three Registered Providers of Social Housing; Green Square, Jephson Homes and Catalyst Housing. The total cost of the campaign, mainly arising from advertising, was £9,000, net of contributions from the Registered Providers.
9. The aim of the tenancy fraud amnesty was to raise awareness with the public, not just tenants and to encourage the reporting of illegal activity. It was also to:

- encourage those misusing their Council properties to surrender their tenancies without the Council having to take expensive legal proceedings to gain possession of the property. It currently costs in the region of £2,000 to take an uncontested possession case through civil court.
 - make the public aware that sub-letting of Social Housing is now a criminal offence and therefore act as a deterrent to those considering sub-letting.
 - show that the Council is taking all possible steps to tackle the problem of the lack of affordable housing in Oxford.
 - reduce anti-social behaviour and illegal activity which often increases when a property is sub-let.
10. An initial press release was issued to the local press and BBC Oxford covered the amnesty in their news programme. Shortly after this the poster campaign commenced. These were placed in public areas such as community centres and libraries as well as in many bus stops across the City. There was also an article and full page poster in the Tenants In Touch magazine, Autumn edition.
11. A tenancy fraud hotline was made available to members of the public to report any suspected sub-letting and for those wishing to surrender their tenancies. Amnesty leaflets were sent out with correspondence from different Council departments, as well as by the supporting Registered Providers.
12. Although no keys were handed back, the amnesty was used by one registered provider to persuade a tenant of a 3 bedroomed property, who was already under investigation by the Council for sub-letting, to relinquish their tenancy. The registered provider was also receiving notifications of anti-social behaviour from the residents of the property. The relinquishing of this tenancy allows a family housed in temporary accommodation to move into stable housing. This also reduces the cost to the council's temporary accommodation budget of £18,000. Therefore, the amnesty has paid for itself being that estimated expenditure for the project was £9000.
13. Other positive outcomes include:
- Feedback from a community association advising that residents had seen the campaign and wanted more information about it. An article is being written for their community newsletter.
 - Several good quality referrals received on the dedicated tenancy fraud reporting line. There has also been an increase in the number of anonymous allegations about tenancy abuse received via the internet and through customer services. Internal staff are also now more aware of sub-letting and the need to report it.

Joint Working with South & Vale District Councils

14. In January 2014, the Council entered into a partnership working arrangement with South Oxfordshire and the Vale of White Horse District Councils (S&V). The aim was for Oxford City Council to provide a benefit investigation resource (29.6 hours per week) for a 9 month period to assist with covering a maternity absence. The contract was extended by one month at the request of S&V.
15. Oxford City Council Investigation Officers were given remote access to S&V systems to facilitate flexibility in their approach, allowing them to work from OCC offices, from home, from the Abingdon Vale of White Horse offices, or from the Wallingford South Oxfordshire offices.
16. The exercise was considered to be a resounding success based on the sanction results produced, the overpayments identified for recovery, and the collaborative and effective working relationships reported between staff from the respective authorities.
17. In the 10 month period of the contract 50 cases were investigated resulting in 7 Administrative Penalties being administered, 9 prosecution recommendations of which 3 cases achieved a conviction within the period, 25 passed on at the end of the period as on-going, 6 closed with no further action required and 3 cases where entitlement was corrected, an overpayment created but no sanction action taken.
18. A total of £90,016 was identified as Housing Benefit overpayment for recovery, £25,950 in Council Tax Benefit (CTB) and Council Tax Reduction Scheme (CTRS) overpayments. The weekly entitlement reductions achieved have created Housing Benefit savings of £56,410 and CTB / CTRS savings of £10,310.72. This is calculated using the government assumption that a claim would have been paid incorrectly for a further 32 weeks before an anomaly is identified.

Internal Investigations in Oxford City Council

19. There were 2 internal investigations completed in the period. One officer no longer works for the Council and a Final Written Warning was issued to the other. – see Appendix 1.

Other Achievements in the period

Veriscan

20. Implementation of the Veriscan system was completed. The identification document scanners are now in place at 5 locations across 3 Council sites. Anyone who needs to produce identification to gain access to a Council service is now having their documents scanned for authenticity. This introduces an extra level of fraud resilience to gateways that were previously potentially vulnerable.

Proceeds of Crime Partnership

21. A partnership working arrangement was signed in January 2014 with the Financial Investigation Service of Slough Borough Council. This was introduced to enable the use of Proceeds of Crime legislation in appropriate investigations. Oxford City Council has no financial investigation resource of its own. The legislation aids recovery of financial losses from criminal activity against the Council. With multiple financial investigations now underway, the Council stands to recover around £115,000, from bank accounts which have been frozen, upon successful conviction of the associated criminal case.

DCLG Funding Bid

22. An application for funding was made to the Department for Communities and Local Government (DCLG) in September 2014. An amount of £16m was announced in December 2013 to support local authorities in tackling non Housing Benefit fraud in the wake of a transfer of Housing Benefit investigation responsibilities to the DWP's Single Fraud Investigation Service (SFIS), which for Oxford City Council takes place in February 2015. In late November, notification was received from the DCLG that the Council's application for £407,000 was successful.

The essence of the bid was to establish a county wide fraud intelligence and investigation hub with Oxford City Council at the centre. With the acquisition of a new data warehouse system, the Council and partners will be able to match data across service areas and authorities and proactively prevent and detect fraud at the earliest opportunity in a coordinated way. The team are now working up an implementation plan to deliver the project.

Single Fraud Investigation Service (SFIS) Update & Restructure

23. Work continues with the DWP on the preparations for the implementation of SFIS with effect from 1ST February 2015. From this date the responsibility for the investigation of Housing Benefit fraud will rest with the DWP. The legal powers to investigate Housing Benefit fraud will however still remain with the authority until the complete roll out of SFIS across the country in March 2016, enabling the team to retain and concluded some high profile cases. There have been 2 meetings with the SFIS project implementation team to date which covered the logistics and security of migrating the investigation caseload to the DWP.
24. As a result of SFIS implementation DWP have reduced the Council's Housing Benefit Administration Grant by £66,000 with effect from 1st April 2015. The Council's response to the transfer is to undertake a restructure of the Investigations Team which seeks to :

- Retain sufficient fraud resource as a prevention and deterrent to non-housing benefit fraud post SFIS.
- Mitigate the loss of Housing Benefit Admin grant
- Ensure resilience, through generic working
- Ensure that we can proactively work with partner organisations for the prevention of fraud across Oxfordshire

Financial Implications

25. Post SFIS the Council will be responsible for the investigation of non-benefit fraud which at a 5% level is estimated at £1.4 million and £1.1 million per annum for council tax and business rates respectively in Oxford City Council. The restructured team ensures the most efficient manner in which this is carried out, at the optimum cost which does not create a financial pressure on the General Fund Revenue budget.
26. Going forward, using the £407k DCLG grant will ensure that the Council proactively works with its partners within Oxfordshire to identify, deter and prevent all forms of fraud ensuring that its financial resources are spent on those with the greatest need.

Legal Implications

27. From February 2015 the investigation of Housing Benefit fraud will be undertaken by DWP.

Risk Implications

28. Fraud is one of the fastest growing areas of crime in modern society and the residents and stakeholders of Oxford City have a right to expect that their public funds are secure and handled honestly. Any dishonest act reflects badly on both the Authority and the wider public sector and the Council are committed to eliminating all forms fraudulent activity and protecting the public purse. The measures put in place will ensure that the risk is mitigated as much as possible.

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