

To: Audit and Governance Committee

Date: 27^h June 2013

**Title of Report: INVESTIGATION TEAM, FINANCE, PERFORMANCE
2012/13**

Summary and Recommendations

Purpose of report:

1. To report to Members the Investigation Team performance for the period 2012/2013
2. To update Members on Fighting Fraud Locally and the potential risk of loss through fraud

Key Decision: No

Board member: Councillor Bob Price

Scrutiny Responsibility: Value & Performance

Ward(s) affected: None

Policy Framework: Financial stability

Recommendation(s): Members are asked to note the report.

Appendix 1 - Investigation Performance Outcomes 2012/2013

Appendix 2 - Oxford City Council Corporate Fraud Risk of Loss 2011/2012

**To report to Members the Investigation Team performance for the period
2012/2013**

1. Background

- 1.1 2012/2013 was a successful but challenging year due to a significant number of benefit cases being referred for investigation (12% of the average benefit claim case load), larger overpayments raised as a result of investigations, increasing workloads in respect of suspected tenancy fraud, NFI 2012/13, the uncertainty of the move to the DWP Single Fraud Investigation Service (SFIS), the preparation for the introduction of the new Council Tax Reduction Scheme and the need to retain resource to develop the Corporate Fraud Investigations Service.

- 1.2 The Council were successful in their bid for £200,000 in funding from the Department for Communities and Local Government for 2013/14, 2014/2015 which contributes to the continued effort in combatting Housing Tenancy Fraud.

2. Outcome of Benefit Investigations for the period 2012/2013.

- 2.1. The Investigation Team has several performance measures that are reported to the Department for Work and Pension on a quarterly basis. Two of these performance and two locally agreed measures are reported and recorded monthly on the Council's performance system CorVu. The team are also part of a benchmarking group; members of which are from Oxfordshire, Buckinghamshire and Wiltshire. **See Appendix 1**

3. Outcome to date of NFI 2012/13

- 3.1 The matches for NFI 2012/2013 were received in the last week of January 2013. An additional temporary resource (1 FTE for 13 weeks) has been employed since April 2013 to process the 2122 Benefit, Payroll and Licencing related matches. All high risk matched reports have been checked resulting in 366 cases requiring further investigation. Identified areas of high risk are;
 - cases of fictitious desertion; where the working partner on the benefit claim has allegedly left the family home and the remaining parent has then claimed benefits
 - cases where the employed partner or non-dependant has not been declared as being resident in the family home
 - cases where income from student grants and loans have not been declared
- 3.2 There are some medium and low risk match reports to review; the biggest of which is benefit claims to pensions. Previous NFI match outcomes would support that these cases are of a high risk and previous matches have realised large overpayments. The 400 matches in this category will be investigated further.
- 3.3 All Housing related NFI reports have been reviewed. There are currently 10 cases of Right to Buy applications under further investigation.
- 3.4 All NFI creditor matched reports have been reviewed and have realised savings of £11,520 in relation to duplicate payments on different reference numbers.

4. Outcome of Council Tax Investigations for the period 2012/2013.

- 4.1 The Council has conducted a full review of Single Person Discounts awarded on Council Tax accounts. The Revenues Team have worked in partnership with the other Oxfordshire Local Authorities. Capita have conducted the review. To date this has resulted in 793 charge payers either withdrawing their application for SPD or the Council removing the

discount. Discounts were removed back to 01/04/2012 and realised additional charges of £313,000.

- 4.2 There were 2,414 cases identified by Capita referred to the Investigation Team. These cases are linked to benefit claims where there is reason to suspect there is an undeclared partner or non-dependant not declared for benefit purposes. Of these cases an initial assessment is that:
- Of the 94 high risk referrals approximately 50% have been resolved with no change to either the SPD or benefit. There are 45 cases that remain under investigation at this time.
 - There are 698 medium risk SPD referrals which require further action
 - There are 1622 low risk SPD referrals which require further action.
 - 1 person was sanctioned for SPD fraud. This was not a case referred as a result of the Capita project.

5. Outcome of Housing Tenancy Investigations for the period 2012/2013

- 5.1. Housing Tenancy Investigations have had a successful year. A total of 20 properties were returned as a result of investigation. **See Appendix 1**
- 7 cases of subletting; where the tenant had let part, or all, of their home to somebody else and was no longer using the property as their main and principle home
 - 9 cases where the tenant had vacated the property leaving other family members in the property, had abandoned the property or were not in occupation and therefore no longer using the property as their main and principal home.
 - 4 returned RSL properties included; 1 case where the tenant had sublet the property and was no longer using the property as their main and principle home and 3 cases where the tenant was not in occupation
 - In addition 1 fraudulent Right to Buy application has been stopped, preventing the purchase of the Council property, realising a saving of £75,000.
- 5.2 A case study;
Following a tip off from a member of the public the Council recovered a 3 bed property in East Oxford. The 55 year old man, who had become the tenant in 2009, following the tragic death of his wife, was believed to be living outside Oxford. After extensive enquiries by the Tenancy Fraud Officers the tenant was found to be living in the Portsmouth area with his girlfriend. He has also been in receipt of full Housing and Council Tax Benefit at the Oxford address. The property in Oxford was being occupied by the tenant's adult children and extended family. The recovery of this 3 bed property has allowed one family to transfer into a larger property, and another to be housed from expensive private unsecure accommodation.
- 5.3 An independent data match has identified 200 properties to be at high risk. Investigations in respect of these properties will be carried out over the next year.

6. Fighting Fraud Locally- To update Members on actions to mitigate the potential risk of loss through fraud

- 6.1 The Council is always at risk of fraud and in the current economic climate this risk is heightened. The annual fraud loss for Local Authorities as a whole is estimated to be £2.2 billion a year. There are those who believe the loss to be as high as £40 billion.
- 6.2 All employees are aware of the Councils Avoiding Bribery, Fraud and Corruption and Whistle Blowing Policies.
- 6.3 The vision for Fighting Fraud Locally is that by 2015 the Council will be better able to protect itself from fraud and will have in place a more effective fraud response by raising the awareness across service areas and building more resilience to the fraud threat. The aim is to be better placed to estimate the level of individual fraud loss and to have a better understanding of where we are at most risk.
- 6.4 The Audit Commission document; Protecting the Public Purse, published the known and emerging risk of fraud based on findings and data from 2011/12. They are;

<ul style="list-style-type: none"> • Social Housing Fraud – FFL risk of loss estimate £900 Million • Detected – 1800 homes; replacement value of £264 million • LA and HA Housing • Unlawful sub-letting • False homeless applications • False Successions • False Right to Buy • Discretionary Housing Payments 	<ul style="list-style-type: none"> • Council Tax Fraud – FFL risk of loss estimate £90 million • Detected, Council Tax Discounts - £21 million • Council Tax Support Fraud CTRS • Single Person Discount Fraud • Student and training categories • People who have a severe mental disability • Live-in carers for someone who isn't their partner, spouse or child (up to 18 years) • Diplomats • Detected HB and CTB - £117 million 	<ul style="list-style-type: none"> • Grant Fraud – FFL risk of loss estimate £43 Million • Grants & Loans • Flexible Home Improvement Loans • Disabled Facilities Grants • Relocation Grant • Major Repair Grant • Maintenance Grant • Adaptation Grants • Fire Safety and Crime Prevention Grant • Energy Efficiency Grants
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<ul style="list-style-type: none"> • Payroll and Recruitment - FFL risk of loss estimate £152 million • Detected Internal Fraud, £15.5 million • Detected Abuse of position £5.6 million • Detected payroll, pensions, expenses £3.5 million • False identity • False qualifications • Expenses • Overtime claims • Mileage claims • Home Improvement Agency Grant • Handyman Service Grant 	<ul style="list-style-type: none"> • Procurement– FFL risk of loss estimate £890 million • Detected - £8 million • Business Rates Fraud • Discounts & Exemptions • False Insurance Claims • Detected £2.1 million • Greater autonomy for Schools 	<ul style="list-style-type: none"> • Blue Badge Fraud • Detected £2.4 million • Concessionary Bus Pass Fraud and Misuse • Residential Parking Fraud and Misuse • Personal Budgets and Social Fund (Local Welfare Assistance from April 2013) • Detected Social Care fraud £2.2 million
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6.5 In 2012/2013 there has been no suspected reported;

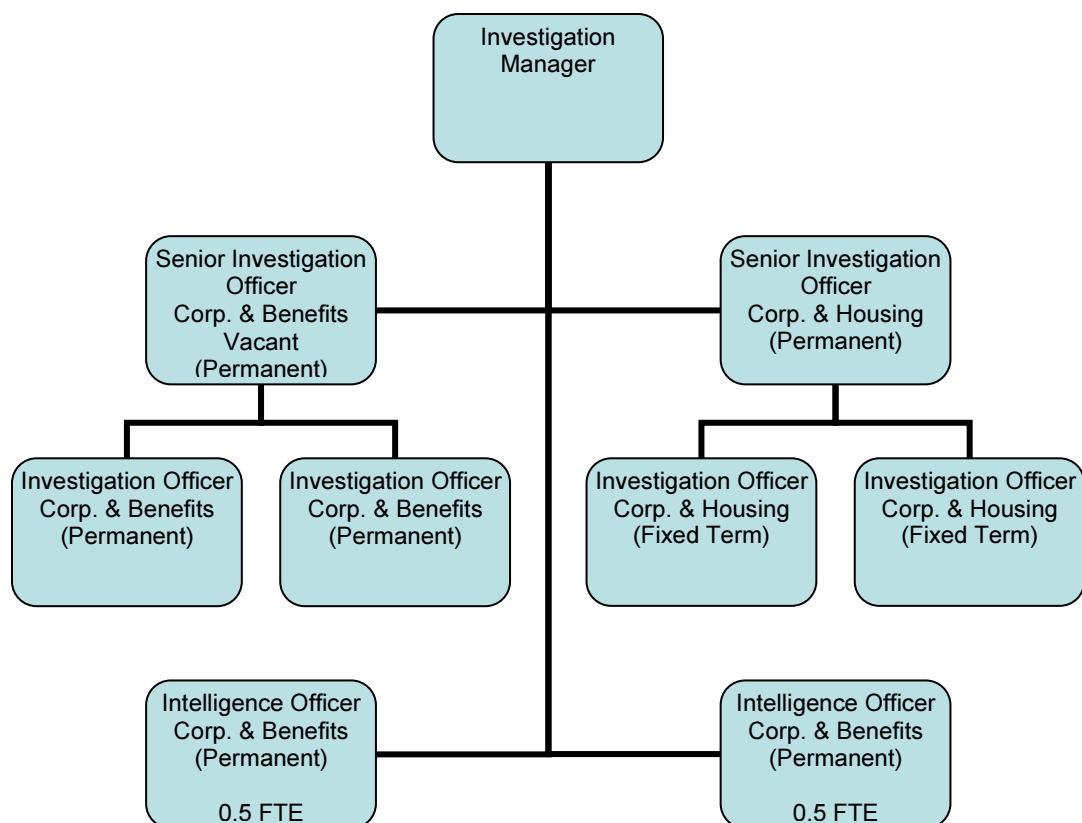
- grant fraud
- payroll and recruitment fraud
- procurement fraud

6.6 The Council Tax Reduction Scheme is the replacement for Council Tax benefit as of 01/04/2013. It is expected that there will be a similar level of CTRS fraud and error found as under the previous system.

6.7 The Team are currently exploring the possibilities of a county wide Corporate Fraud Hub or Partnership. The proposed partners in the hub are; Cherwell DC, West Oxfordshire, Vale and South DC's and the County Council. Securing the Oxfordshire Fraud Hub/Partnership will ensure that all LA's will retain an investigative resource after April 2015

6.8 The Team are also exploring the possibilities of formalising a Partnership Agreement with Registered Social Landlords in the continued fight to combat housing fraud; this is also an area of development for the 'selling' of the Council's Investigation Service.

6.9 Under the Finance restructure the Investigation team has been restructured to reflect the emerging corporate risks, targeting investigative resources more efficiently and effectively. The Council is maintaining a capability to investigate non housing benefit related fraud. The new structure is;



7. Potential risk of loss through fraud.

- 7.1 The Oxfordshire Councils, have worked together to gather financial data, across their service areas in order to establish the potential fraud loss. It is accepted in both the public and private sector nationally, there is a potential financial loss of 5% due to fraud and error.
- 7.2 The Department for Work and Pensions figures for fraud and error in Welfare Benefits, dependent on pensionable age or working age, runs between 5% and 6%. With the estimated expenditure for the CTRS for Oxfordshire being £34.4 million, the expected loss to fraud could be as much as £1.7 million.
- 7.3 The National Fraud Authority has made a Fraud Loss Profile Tool available to all LA's. The NFA have used data provided to the DCLG. The Oxford City Council Fraud Profile based on 2011/12 data is;

National Fraud Authority	Based on 2011/2012 Data	
	Lower Estimate £	Upper Estimate £
Council Tax Fraud	140,000	230,000
Tenancy Fraud	400,000	600,000
Procurement Fraud	360,000	600,000
Payroll Fraud	30,000	50,000
Total Estimated	930,000	1,710,000

7.4 The Oxford City Council Corporate Fraud risk of loss based on 2011/12 data is shown at **Appendix 2**.

8. An update on the establishment of a Single Fraud Investigation Service

- 8.1 From April 2013/14 the introduction of the Department for Work and Pensions, nationwide, Single Fraud Investigation Service (SFIS) will result in local authorities losing experienced investigation officers, disrupting the ability for local authorities to respond to and proactively seek out fraud and error. From April 2015 Local Authorities will no longer be responsible for the investigation of suspected fraud and error in Housing and other Welfare Benefits. Investigation officers currently employed to investigate welfare benefits will transfer over to SFIS.
- 8.2 The DWP are working together with some pilot authorities and Job Centre Plus Fraud Teams to establish best working practise, policy and procedures. The results from these pilots are not yet known. During the 2013/14 new working procedures will be rolled out for all LA's to adopt.
- 8.3 Any funding by the DWP to support the Investigation of suspected welfare benefit fraud is not known at this time.
- 8.4 It is not yet known if there is to be selection criteria for LA Investigators or if they will be asked to apply for a position. The impact on the Oxford City Council Investigation Team is the loss of 2 FTE Investigation Officers.
- 8.5 The implementation of SFIS will disrupt the work of councils in fighting corporate fraud at a time when it is most needed; reductions in grants and subsidies from central government and the emphasis on localism.

Name and contact details of author:

Carol Quainton
Investigation Manager
Telephone: (01865) 252478
cquainton@oxford.gov.uk
Nigel Kennedy
Heads of Finance
Telephone: (01865) 252708
nkennedy@oxford.gov.uk

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