

To: Audit and Governance Committee

Date: 26th June 2014

Item no:

Report of: Head of Finance

Title of Report: PROTECTING THE PUBLIC PURSE –THE FUTURE OF THE INVESTIGATION SERVICE

Summary and Recommendations

Purpose of report: To update members on the implications of the transfer of Housing Benefit fraud investigation work and Officers to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS).

Key decision Yes

Executive lead member: Ed Turner

Policy Framework: Finance

Recommendation(s):

1) Members are asked to note the report

Appendices to report

Appendix A - Investigation Team Structure

Appendix B-Risk Assessment

Introduction

1. In February 2011 the Department for Work and Pensions (DWP) announced that they were looking to establish a Single Fraud Investigation Service (SFIS) for the investigation of all welfare benefit and tax credit claims.
2. Recent communications and road shows held by the DWP have confirmed:
 - The national roll out of transfers will commence in October 2014 and be completed by March 2016

- The transfer date for all Oxfordshire authorities is 1st February 2015
 - That TUPE rules will not apply to staff transferred but the transfer will be undertaken as if they did
 - Consultation with individual members of staff, HR and DWP will commence 4-6 months prior to the transfer date i.e. August/September for Oxford City staff
 - Staff will transfer to DWP offices within 1.5 hours travelling time by public transport from home to office
3. Under the guidance issued by the DWP there are 4 posts (2.9FTE) within the City Council that fall in scope; 2 full time Investigation Officer Posts and 2 part time Intelligence Officer posts.
 4. Local Authority Housing Benefit Administration Grant nationally will be reduced by an amount equivalent to the cost of staff transferred. The suggested reduction is 11%, a third of which could be applied in 2015/2016. This represents a potential reduction to the authority of around £100k per annum; however this has not been confirmed.
 5. The Single Fraud Investigation Service (SFIS) will deal with all referrals of suspected Housing Benefit fraud within Oxfordshire from the 1st February 2015 and Oxfordshire authorities will have no involvement in the investigation of reported or identified concerns in relation to Housing Benefit claims administered by them from that date.

The Current Fraud Investigation Team

6. The core Investigation Team currently consists of 6.7 full time equivalent (fte) staff made up of 8 officers. See Appendix A. The team has 2.8 fte additional temporary staff as follows:
 - 1 Intelligence Officer plus 1 Investigation Officer working on Housing Tenancy Fraud grant funded by the Department for Communities and Local Government (DCLG) until 31st March 2015
 - 1 Corporate Fraud Investigation Officer funded by South and Vale District Council
7. The Team is broadly split in two focusing on: 1) welfare benefits, council tax, business rates and other General Fund fraud work, and 2) social housing fraud.
8. The total cost of the service based on the 2014/15 budget is as follows:

Table 1 - Budgeted Costs of Investigations Team			
	Social Housing	Corporate and Welfare Benefits	Total
	£000's	£000's	£000's
Employees	125	216	241
Transport	0	2	2
Supplies	0	19	19
Support	0	92	92
Total	125	329	454
Grant Income ***	(59)	(66)	(125)
Other	0	(34)	(34)
Total	(59)	(100)	(159)
Net Expenditure	66	229	295

*** Grant income; £66,000 from DWP Admin Grant and £59,000 DCLG Grant to combat Social Housing Fraud. Other income of £34k relates to income from South and Vale District Councils.

Corporate and Welfare Benefits Fraud

9. The Corporate and Benefit Fraud Investigation Team's focus is on investigation of fraud arising from:
 - the claiming of welfare benefits such as housing benefit and retrospective council tax benefit
 - the claiming of welfare benefits administered by DWP
 - the claiming of council tax reduction
10. In the last two years the Team has been successful in finding the following in relation to fraud in these areas:

Table 2 - Fraud uncovered 2012- 2014		
	2012/13	2013/14
	£	£
Housing Benefit	632,386	498,260

Council Tax Benefit	126,446	121,698
DWP Benefits	170,264	102,565
Single Person Discount*	313,000	115,218
Total	1,242,096	837,741
Weekly benefit savings – HB (32 weeks) **	257,118	380,522
Weekly benefit savings - CTB (32 weeks) **	66,120	56,361

** A weekly savings calculation is based on the average length of a claim continuing 32 weeks. A figure used for extrapolation as identified above.

11. The Audit Commission's National Fraud Initiative (NFI) 2012/2013 recorded savings to 31/03/2014 totaling £167,792. £127,327 of the savings identified and recorded on the NFI system are not included in the above table, the cases are open and under investigation and the savings in relation to these open cases will be recorded in the current financial year 2014/2015 once they are closed.

12. In addition to the above, the Team also provides a resource to:

- Investigate internal fraud arising in the authority –over the last two years there have been 5 disciplinary investigations, 4 of which resulted in dismissal or resignation as a result of the investigation.
- Review and keep updated the Council's policies on fraud e.g. Preventing Bribery Fraud and Corruption Policy and Money Laundering Policy.
- Report to Audit and Governance on combatting fraud and fraud activity.
- Undertake Fraud Awareness training in respect of welfare benefits, Council tax, Housing and Avoiding Bribery Fraud and Corruption.

13. In January 2014 the Investigation Team entered into a contract for 9 months with South and Vale District Councils to undertake the investigation of welfare benefit claims. To date the following work has been undertaken:

- 39 welfare benefit fraud investigations
- 3 cases concluded with no fraud established
- 1 case closed with a successful prosecution; 12 months community order, 120 hours of unpaid work plus costs
- 1 current case referred to Legal Services for prosecution
- 8 current cases being prepared for recommendation of a formal caution or administrative penalty

- 7 current cases being prepared for recommendation for prosecution

Other Developments

14. A number of other developments have taken place within the Team as follows:
 - In February the Investigation Team was short listed in the Local Government Chronicle Fighting Fraud awards
 - The team have recently facilitated the installation of ICT software to enable the checking of documentation such as passports and driving licenses which is presented for housing benefit applications, recruitment and tenancy applications
 - The team are currently working on an ICT project to install 'datawarehousing' software which will facilitate the cross matching of data on multiple ICT systems
 - The team are currently in discussion with multiple Housing Associations to sell investigation services

What Fraud is out there?

15. Recent surveys by the Audit Commission have indicated that this varies widely from authority to authority. At the extreme some authorities have indicated that there is zero fraud and recent responses to the SFIS changes have suggested in some, fraud units will be disbanded.
16. The Audit Commission Document Fighting Fraud put a figure of between 1% and 5 % on the exposure to fraud and this has been widely adopted for the purposes of estimating, on the balance of probability, the potential financial loss through fraud to authorities. For Oxford this would suggest the following levels of exposure:

Table 4: Estimate of fraud in business		
	At 1% level	At 5% level
	£000's	£000's
Council Tax Support	101	509
Single Person Discount	66	331
Student discount	90	450
Other discounts	31	155
B Rates - empty prop discounts	1,080	5,400
B Rates - Charitable Relief	192	961
B Rates - Other Discounts	13	67

Housing	40	200
Employee	490	2,450
Procurement	912	4,560
Grants	29	146
Totals	3,044	15,229

17. Whilst the level of fraud may be debated at length, it is highly probable that there is some level of fraud in the business at any one time. The Council therefore needs to determine how, post the transfer of resources to the Single Fraud Investigation Service it will manage its residual exposure to fraud.

Proposed Way Forward

18. Officers are currently reviewing the Council's ongoing resource requirements and exploring the opportunities for further partnership working with other councils to increase resilience, and will bring a report back to the Audit and Governance Committee in September for consideration of options.

Environmental Impact

19. There are no significant environmental impact issues arising from the recommendations within this report

Equalities Impact

20. Consideration has been given to the public sector equality duty imposed by section 149 of the Equality Act 2010. Having due regard to the need to meet the objectives of that duty, a view is taken that the duty is met.

Financial Implications

21. The implementation of the Single Fraud Investigation Service SFIS will withdraw the powers of authorities to investigate fraud arising from welfare benefit claims. At this point there is likely to be a withdrawal of a proportion of Housing Benefit Admin Grant estimated at around £100k which unless mitigated will create a pressure in the Council's Medium Term Financial Plan.
22. The Council needs to maintain sufficient resource within the authority to tackle fraud arising from business rates, the council tax relief scheme as well as other areas of corporate fraud. Not to do so could result in the loss of income to the Council.

23. A report setting out the options for the future shape and direction of the Investigation Team will be developed and reported to the September meeting of the Audit and Governance Committee for consideration.

Legal Implications

24. No legal implications have been identified.

Risk Assessment

25. The risks are shown in Appendix B

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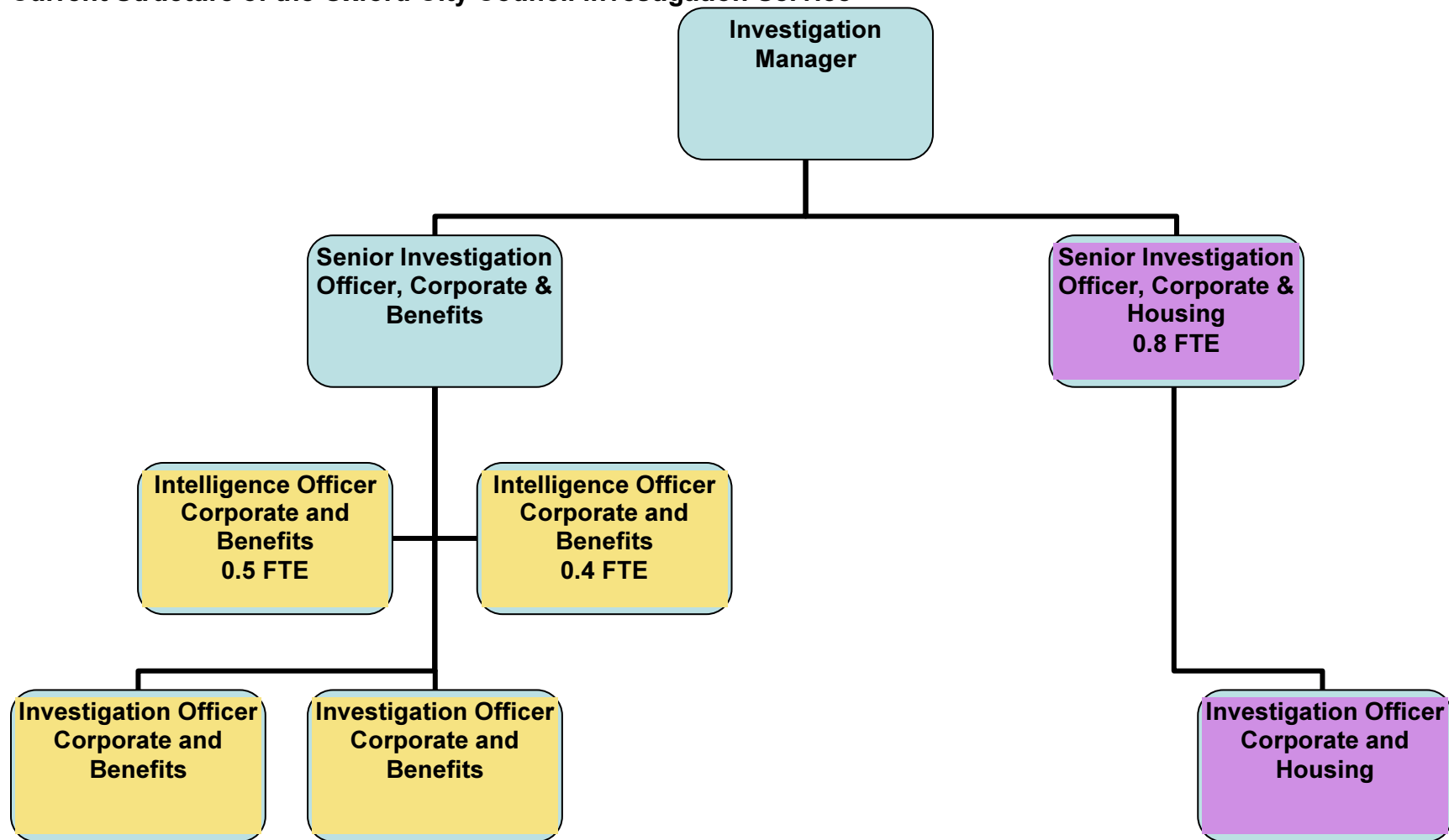
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Current Structure of the Oxford City Council Investigation Service



***Posts in scope for TUPE – LIKE transfer to SFIS

*** HRA Funded posts

Investigation Service Risk Assessment

<i>What are the risks?</i>	Consequence	Risk Owner	Action Owner	Mitigation Action	Likelihood	Impact	Overall Risk
<i>Loss of experienced staff</i>	The inability to combat corporate fraud at a required level, make savings and increase revenue	Oxford City Council	Nigel Kennedy/ Carol Quainton	Reorganise residual staff to deal with other areas of the business	5	3	15
<i>Loss of economies of scale</i>	The inability to combat corporate fraud at a required level, make savings and increase revenue	Oxford City Council	Nigel Kennedy/ Carol Quainton	Reorganise and look at potential for partnership working	5	3	15
<i>Fraudulent activity goes unchecked</i>	Increased level of fraud and loss of revenue	Oxford City Council	Nigel Kennedy/ Carol Quainton	Retain a fraud resource and arrange in the most cost effective manner	5	3	15

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