



COTSWOLD DISTRICT COUNCIL

CABINET

5TH FEBRUARY 2015

AGENDA ITEM (8)

RETENTION OF RESOURCE TO INVESTIGATE FRAUD FOLLOWING IMPLEMENTATION OF SINGLE FRAUD INVESTIGATION SERVICE

Accountable Member	Councillor Lynden Stowe Leader of the Council
Accountable Officer	Jon Dearing Shared Head of Revenues and Housing Support 01285 623304 jon.dearing@cotswold.gov.uk

Purpose of Report	For the Cabinet to consider the implications of the Single Fraud Investigation Service (SFIS) on the Council's counter fraud activity.
Recommendation(s)	That the Council shares resource with West Oxfordshire District Council in order to carry out counter-fraud activity in the Council Tax and Business Rates service areas, and to investigate claimant error in the Housing Benefits service, with a review after twelve months.
Reason(s) for Recommendation(s)	To mitigate the risk of financial loss to the Council resulting from the loss of counter-fraud resource due to the implementation of SFIS.

Ward(s) Affected	None specifically, although fraudulent activity could take place in any Ward.
Key Decision	No
Recommendation to Council	No.

Financial Implications	<p>If there is support for the new arrangements, the Council will share the cost of Investigation Officer resource with West Oxfordshire District Council. The cost is expected to be in line with the existing budgetary provision for the Council's current Senior Investigation Officer post. The Council's current post holder has secured an alternative position within the Council.</p> <p>The Council's housing benefit administration grant from the Department for Communities and Local Government (DCLG) is being reduced by £32,000 in respect of the implementation of SFIS.</p>
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	<p>If the current Senior Investigation Officer transferred to the Department for Work and Pensions under SFIS, the Council could take the cost of the post as a saving. This report recommends that the Council does not take the saving in 2015/16. By retaining the budget, the Council will be able to assess the impact of the SFIS as well as piloting the new arrangements to test value for money.</p> <p>The Council currently receives subsidy from the DCLG on the value of overpaid benefit resulting from fraud and retains any overpaid benefit recovered.</p>
Legal and Human Rights Implications	<p>The Welfare Reform Act 2012 that introduce SFIS. The introduction of SFIS means that responsibility for investigating and prosecuting individuals for Housing Benefit Fraud transfers from local authorities to the DWP, the Council no longer has the power to investigate or prosecute for Housing Benefit fraud.</p> <p>The Council does retain power to investigate and prosecute for other fraud (for example, Council Tax, local Council Tax support, Business Rates and corporate fraud such as procurement or payroll related fraud).</p>
Environmental and Sustainability Implications	None
Human Resource Implications	West Oxfordshire District Council will make provision for its Investigation Officers to transfer into new joint posts to facilitate the joint working proposed in this report.
Key Risks	The Council currently receives subsidy from the DWP on 40% of the value of overpaid benefit resulting from fraud. There is a risk that SFIS will not identify an equivalent level of fraudulent housing benefit claims to the existing in-house resource, which will lead to reduced income from housing benefit subsidy and a reduced level of recovered benefit.
Equalities Impact Assessment	Not required.

Related Decisions	None
Background Documents	None
Appendices	None

Performance Management Follow Up	If the proposed arrangements are supported, the value of fraud identified and recovered will be monitored. This information will be used to determine the business case for retaining the resource after the pilot period.
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Options for Joint Working

The Revenues and Benefits team operates as a shared service across Cotswold and West Oxfordshire District Councils. This proposal extends those arrangements by sharing officer resource for counter-fraud work.

Background Information

1. The Department for Work and Pensions (DWP) has announced that it is creating a national fraud investigation team, the Single Fraud Investigation Service (SFIS), which will investigate all cases of welfare benefit fraud. This will, in effect, take on the fraud investigation work in respect of Housing Benefit fraud which has, until now, been carried out locally by each Council but in liaison with DWP investigators.
2. The DWP announced an effective date for this Council of 1st February 2015 from when it will take on all fraud investigations. To resource this work, the DWP is looking to take on the investigation resource that is currently located in Councils by way of a Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) style transfer of employees.
3. This Council currently employs a Senior Investigator (one full-time equivalent) (FTE) and West Oxfordshire District Council employs two Investigators (1.8 FTE). As the current post-holder at this Council has taken up another position within the Council, an opportunity exists to share West Oxfordshire District Council's Investigators across the two Councils. West Oxfordshire District Council has decided to retain the budgetary provision for 1.8 FTE Officers and to make the resource available to this Council through shared working arrangements.

4. Proposal for retaining Fraud Investigator Resource across the two Councils

4.1 Residual Work Following the Transfer to the DWP

The DWP has produced a process map indicating the type of work it will be undertaking and what will stay with the local authority. The diagram shows that there is still an amount of work that will need to be undertaken by the Councils and the DWP recommends that there is a Single Point of Contact (SPoC) for dealing with fraud related work. It is not clear if the amount of work could be absorbed by existing Housing Benefits administrators but, given the specialist nature of fraud work, a dedicated fraud resource may be required.

4.2 National Fraud Reports

4.2.1 In recent months, the Audit Commission has released two national reports - 'Fighting Fraud Locally' and 'Protecting the Public Purse'. The external auditors for both Councils have recently presented a fraud briefing to the respective Audit and Scrutiny and Audit Committee Meetings, emphasising the importance of pursuing fraud in local authorities.

4.2.2 Working with other members of the Revenues and Benefits team, the proposed small Counter-Fraud team would initially concentrate on investigating:-

- Housing Benefit claimant error;
- Council Tax single person discount or reduction fraud;
- Business Rates fraud.

4.3 Fraud and Error Reduction Incentive Scheme

While the DWP will take over formal responsibility for fraud investigations relating to Housing Benefit, the responsibility for the administration of benefits and the creation/recovery of overpayments will remain the responsibility of local authorities (at least until 2017 when the major roll-out of Universal Credit is planned to take place). Across this Council and West Oxfordshire District Council, there is a total Housing Benefit expenditure in excess of £40m per annum. Given the large sums involved, the Government is keen to ensure that the creation of the SFIS does not mean that local authorities disregard their responsibilities in relation to the prevention and detection of fraud and error in the Housing Benefit system. Accordingly, in November 2014, the DWP announced an incentive scheme for local authorities, the Fraud and Error Reduction Incentive Scheme (FERIS). This offers financial rewards to local authorities that find reductions in Housing Benefit entitlement as a result of detecting claimant error or fraud. For 2014/15, funding of £5,684 is available for each Council, assuming the threshold of £44,100 is exceeded. The total award available, assuming the threshold of £48,200 is exceeded, is £16,652. For 2015/16, the awards available are £7,675 and £35,294 in respect of the two thresholds.

4.4 Gloucestershire Counter Fraud Hub

4.4.1 A high-level business case for setting up a Gloucestershire Fraud Hub has been prepared by Audit Cotswolds on behalf of all of the Gloucestershire District Councils and the County Council. The business case was used to inform a bid to the Government for financial support with setting up a Hub. The outcome of the bid will be known at the end of this month. In the event that the bid is successful, the business case will need to be revisited to encourage all Gloucestershire Councils to participate. There is the potential for all of the Gloucestershire counter-fraud resource to be managed collaboratively, enabling sharing of data across the Gloucestershire authorities, which will further improve the identification of fraud. Should the Gloucestershire Fraud Hub business case progress, a separate report will be submitted to a future Meeting of the Cabinet.

4.4.2 A similar business case has also been prepared for the Oxfordshire authorities. In the longer term, there is the potential for the two Hubs to co-operate and, by sharing data, trace fraudsters across the Gloucestershire and Oxfordshire geographical areas.

5. Financial Implications

5.1 The cost of the existing Senior Investigator post at this Council is £36,000 per annum (one FTE) and £64,800 at West Oxfordshire District Council (1.8 FTE). Both Councils receive 40% subsidy on the overpaid benefit resulting from fraud and claimant error.

5.2 For this Council, if the existing Senior Investigator transferred to the DWP in February 2015, the staffing cost and associated loss of administration grant would be effectively cost neutral. For West Oxfordshire District Council, if the existing resource transferred to the DWP in February 2015, the staff cost savings would exceed the loss of administration grant to the Council.

5.3 Both Councils will retain the 40% fraud subsidy on the value of fraud detected. There is concern that the level of fraud currently detected will fall under SFIS as it will focus on the broader welfare reform, to the detriment of housing benefit fraud, and will utilise its resource flexibly to identify fraud rings etc. which is more likely to move resource to more urban areas where that type of fraud is more prevalent. This would reduce the subsidy received and the recovery of overpaid amounts.

5.4 The table below sets out the 2013/14 income each Council from fraudulent housing benefit claims:

Table 1

	CDC £	WODC £
Value of housing benefit fraud identified (2013/14)	410,000	313,000
Fraud subsidy - Income to the Council	164,000	125,200

5.5 The proposals in this report have been designed to mitigate the risk of reduced fraud and error subsidy. On this basis, and taking account of the issues identified in the report, it is recommended that this Council shares counter-fraud resource from West Oxfordshire District Council, subject to a value for money review after the first year. This would allow time to better understand the impact of SFIS, the level of fraud or housing benefit error prevalent, the effectiveness of the team in identifying and recovering fraud and housing benefit overpayments as a result of claimant error. It will also give the team sufficient time to divert their skills to the maximisation of other revenue streams (in particular, Council Tax discounts/exemptions and Business Rate avoidance).

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