

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 17 th September 2014
AGENDA ITEM:	10
SUBJECT:	Department of Work and Pensions Single Fraud Investigation Service
LEAD OFFICER:	Director of Finance and Assets
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2014/15 is £662,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

<p>1. RECOMMENDATIONS</p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> Note the Department for Work & Pension's plans for creating a Single Fraud Investigation Service in respect of benefit fraud investigations and the Council's plans to address the impact of this on its ability to investigate non-benefit fraud in Croydon.
--

2. EXECUTIVE SUMMARY

2.1 This report details the Department for Work & Pension's (DWP) plans for creating a Single Fraud Investigation Service (SFIS) for the investigation

of all benefit related fraud. It also addresses the impacts on the Council's ability to investigate non-benefit fraud and plans to address them.

3. DETAIL

Background

- 3.1 In the 2013 Autumn Statement, the Government made the following announcement:

“This government is taking wide-ranging action to reduce fraud, error and debt in the tax and benefits systems. The government will invest an extra £140 million to ensure that everyone pays what they should, and to reduce the amount of debt owed to government.

To deliver savings of over £2.3 billion through reductions in fraud, error and debt, Autumn Statement 2013 announces that the government will, amongst a package of measures, implement a Single Fraud Investigation Service to investigate fraud across the whole of the welfare system. SFIS alongside the other measures will increase the government's ability to identify and tackle fraud, error and debt in the benefits and tax credit systems.”

- 3.2 This announcement went on to confirm that SFIS will be launched within DWP as a single organisation bringing together investigative capacity from the DWP, Local Authorities and HMRC.
- 3.3 Representations were made by local government and others that, whilst there was merit in having a joined up national strategy and better sharing of information, local fraud of all types is better investigated locally. In addition to the value of local knowledge, there are better opportunities for investigating fraud in a more holistic way as each fraudster will often be carrying out multiple types of fraud at the same time. This view did not prevail.
- 3.4 The transfer from local authorities is to be phased over the period October 2014 to March 2016 and involve an estimated 800 local authority staff nationally. It has been identified that Croydon's benefit investigation work and staff will transfer on 1 March 2015. Any benefit cases that are still open at that time may transfer with the staff, but this is yet to be confirmed.

What this means for Croydon

- 3.5 In preparation for the change, a review and consultation is being undertaken to establish the requirements for non-benefit fraud investigation resources into the future and the team structure needed to deliver this.
- 3.6 The DWP has stated that staff in scope for transfer should be those who are “assigned solely or primarily to” benefit fraud investigation. Based on an assessment of caseloads, this leaves 4.1 FTE staff in scope for transfer

- from the Council's Corporate Anti-Fraud Team (CAFT) to the DWP. Depending on the outcome of the restructure consultation, this number may reduce if staff are recruited to non-benefit investigation posts.
- 3.7 The Council receives an administration grant from the DWP to contribute to the costs of running the housing benefit service and part of that is intended to pay for benefit related anti-fraud work. The adjustment to that funding method following the transfer of benefit investigations is still being finalised.
- 3.8 Benefit investigation has historically been the largest category of investigation work in Croydon and CAFT has been extremely successful in this work, gaining national profile on BBC and Sky TV, radio as well as national and local press. The team has also been shortlisted a couple of times for national awards. Most importantly, it has also identified several million pounds worth of fraud against the public purse and ensured that funds are returned for use delivering services to those who are genuinely entitled.
- 3.9 Over the last few years the team has gradually shifted some of its capacity into investigating other areas of fraud. Tenancy fraud, for example, has become a major strand of work and the team now has two full time posts successfully investigating all types of housing and tenancy fraud, including Right to Buy applications. This often results in Council properties being recovered for reallocation to those who need them. The team is constantly seeking to identify areas of fraud and to engage with services to address these. In addition, the team is involved in training and awareness raising to help prevent fraud and where necessary investigate it.
- 3.10 In addition to the whole range of housing related fraud, *some* of the other non-benefit fraud areas that the team currently investigates are:
- Direct Payments
 - Grants
 - No recourse to public funds
 - Blue badges
 - Council Tax
 - NNDR
 - Procurement
 - Income
 - Payments
 - Schools
 - Any internal fraud by staff or Members
 - Any external fraud against the Council by the public or our partners
- 3.11 In addition, the team includes two financial investigators who have powers, in some circumstances, under the Proceeds of Crime legislation to seize

cash and property and to seek confiscation through the courts. This has now been used several times successfully, both in fraud cases and in support of the Trading Standards team.

- 3.12 The team also includes a lay advocate who, with the authority of the Councils Solicitor, appears in the magistrates' court for the council in low level fraud cases, school absence prosecutions and blue badge abuse. This has had a very high success rate and saved the costs of engaging external legal representation for these cases.
- 3.13 In the future, the Corporate Anti-Fraud Team will still have the skills and capacity to investigate all types of non-benefit fraud, but all benefit related fraud, such as Housing Benefit and residual Council Tax Benefit, will be referred to the DWP for investigation.
- 3.14 One unfortunate side effect of this means that the powers to gain information that CAFT members currently have under social security legislation will no longer be available. This has always been useful where benefit and non-benefit frauds are investigated together. Joint working and the good will of other agencies, to utilise their powers wherever possible, will become even more important than at the moment. One risk of this change is that there will be a less joined up approach to investigations and that inefficiency will result. It is not yet clear what the DWP's future approach to joint working will be.
- 3.15 In preparation for this change the DWP will take and investigate new Housing Benefit fraud referrals from 1 December 2014. Communications to ensure that people know where to refer allegations of benefit fraud in the future will be arranged shortly.

4. FINANCIAL AND RISK ASSESSMENTS

- 4.1 The budget provision for the audit and anti-fraud service for 2014/15 is £662,000 and the service is on target to be delivered within budget.
- 4.2 The Council receives an administration grant from the DWP to contribute to the costs of running the housing benefit service and part of that is intended to pay for benefit related anti-fraud work. The adjustment to that funding method following the transfer of benefit investigations is still being finalised.
- 4.3 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Dianne Ellender, Head of Finance & Deputy S151 officer)

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 5.1 The Council Solicitor comments that when investigating benefit fraud the Council on occasions undertakes covert surveillance in accordance with the Regulation of Investigatory Powers Act (RIPA). RIPA can only be used to investigate frauds relating to the Council's 'core activities' and therefore the Council's RIPA policies and operational practices will need to be reviewed to ensure they reflect the scope of remaining fraud matters .

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

6. HUMAN RESOURCES IMPACT

- 6.1 The impacts of the transfer of council staff and the restructure are being addressed using the council's established processes and in consultation with both staff and unions.

(Approved by: Hansa Bharadia, HR Business Partner)

7. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

- 7.1 There are no further considerations in these areas.

8. EQUALITIES IMPACT ASSESSMENT

- 8.1 There are no direct equality impacts in this report. However, following the changes outlined above and a change in the balance of work undertaken by CAFT, a review of the approach to monitoring this will be carried out before the end of the year.

CONTACT OFFICER:

Simon Maddocks
(Head of Governance)

BACKGROUND DOCUMENTS:

None