

SUBJECT:	Single Fraud Investigation Service
REPORT OF:	Officer Management Team- Director of Resources Prepared by- Fraud and Compliance Manager (Chiltern DC and South Bucks DC Fraud Partnership)

1. Purpose of Report

1.1 This report details the Department for Work and Pension's (DWP) intentions to create a Single Fraud Investigation Service (SFIS) to carry out fraud investigation relating to the majority of welfare benefit frauds. This will include:

- Job Seekers Allowance;
- Employment Support Allowance;
- Income Support;
- Tax Credits;
- Housing Benefit;
- Council Tax Benefit - for retrospective frauds where Council Tax Benefit was in payment at the time;
- Disabled Living Allowance;
- Personal Independent Payments; and
- Universal Credit.

2. Links to Council Policy Objectives

2.1 Council has a duty to protect the public purse and protecting against fraud contributes to this. The effective prevention and detection of fraud contributes to Council priorities for example prevention of fraud can encourage cohesive and strong communities.

3. Background

3.1 The Fraud & Error Strategy: Tackling fraud and error in the benefit and tax credits systems contained a commitment to establish a Single Fraud Investigation Service (SFIS) to investigate Social Security welfare benefit & Tax Credit fraud across Local Authorities (LA), HM Revenue and Customs (HMRC), and DWP. The strategy, including SFIS, was given Home Affairs clearance in October 2010.

3.2 In 2011 an agreement was reached to test and review an interim partnership approach for a Single Fraud Investigation Service. In 2012 four SFIS pilots began to test a variety of partnership approaches and a single set of policies and procedures to help identify the best delivery model. An additional pilot began in April 2013 to support Universal Credit (UC) and a further four pilots will go-live shortly.

3.3 These pilots have been in operation for a short timescale and feedback from the pilots indicates that there is minimal data available to evaluate their impact. Despite this, in October 2013 the Department for Work and Pensions wrote to local authority Chief Executives to state that they will be recommending that SFIS be formed as a single organisation within DWP.

4. Impact on South Bucks District Council

- 4.1 The DWP's decision will have a significant impact on local authorities. DWP intend to introduce the Single Fraud Investigation Service (SFIS) in a phased approach in the financial year 2014/15.
- 4.2 DWP estimates that a figure of 860 local authority fraud staff nationally will be incorporated into the new service. This would include managers, investigators, and any support staff directly involved in benefit fraud investigation work.
- 4.3 At South Bucks District Council we currently work in partnership with Chiltern District Council to deliver our approach to fraud. But the following role currently involves an element of fraud investigation work:
- Benefits Policy Officer.
- 4.4 As the partnership team is small and works generically across a number of areas, it is difficult to allocate whole members of staff solely to benefit fraud. The partnership has achieved a number of successful prosecutions and received good publicity.

5. Continuing Areas of Responsibility

- 5.1 South Bucks District Council will still hold the responsibility for the following tasks which are not included in the transfer of work to SFIS. These are:
- Corporate fraud work - This includes internal investigations and anti- fraud activity across all services;
 - Housing tenancy fraud; The Prevention of Social Housing Fraud Act 2013 provides Local Authorities with the powers to Investigate and pursue criminal charges for tenancy frauds such as sub-letting.
 - Council Tax fraud including fraud relating to single persons discounts;
 - Council Tax Support Scheme fraud - South Bucks District council will continue to have a responsibility to investigate fraudulent claims for Council Tax Support;
 - Fraud prevention - To include fraud awareness training and publicity;
 - National Fraud Initiative; To respond and investigate cases referred as a result of NFI or other Data Matching exercises.
 - Interventions and Reviews - identifying error and preventing overpayments; and
 - Housing benefit overpayment recovery: take a proactive approach to recovering benefit overpayments as a direct income to the authority.
- 5.2 There are further areas that the team has identified as potential areas for development in South Bucks District Council's approach to managing the risk of fraud and corruption. These are grouped into those areas that we currently work on and could develop further and those areas that are potential opportunities or where we are likely to experience increased demand in the future.

Areas to Develop Further:

- **Housing and tenancy fraud** -The team currently works closely with local housing associations and our Housing Service but there is potential to develop this relationship further. This is an area that has a high profile currently due to shortages of affordable housing.

- **Staff disciplinary investigations** - The team is involved in carrying out investigations relating to potential disciplinary matters involving employees. In a time of change it is likely that the number of investigations required will increase.
- **Whistleblowing**- During a period of significant change it is essential that the Council has an effective process for dealing with whistleblowing and allegations of corruption. The team currently undertake investigations in this field and are introducing a joint policy across Chiltern DC and South Bucks DC. As above, these are likely to increase as we go through a period of significant change and having the resources to investigate these quickly is an essential part of managing the change process.

Potential Opportunities/Areas of Increased Demand for the Future:

- **Business Rates avoidance schemes** - This is an area that will become more high profile for local authorities as Business Rates retention becomes a main source of funding.
- **Developing an approach to address fraud risks in other services such as Licensing and Environmental Health** - We believe there is scope to develop this approach across services and reduce the risk of fraud to the Council. This could result in joint operations which can generate positive publicity.
- **Managing the risk of procurement fraud** - As the way we deliver services is reviewed there is an increased likelihood that more commissioning and procurement will take place. This is an area of high fraud risk and it is essential that the governance surrounding our processes and procedures is secure. The team can be involved in assessing this risk and completing any subsequent investigations.
- **Declarations of interest** - To support internal investigations, approach to procurement fraud and whistleblowing we are introducing a declaration of interest process that employees will need to complete annually. This needs resources to administer this process.
- **Breaches in data protection** - If the Council breaches data protection legislation there is a large financial risk in addition to a reputational risk. With significant data being held by South Bucks District Council it is essential that we have the mechanisms in place to carry out an investigation quickly and thoroughly should a potential breach be identified. This could require forensic investigation services which could be an area that would need to be developed.

- 5.3 At some point we will need to ascertain what on-going resources we require to deal with the residual tasks mentioned above across the partnership and to identify what resource could be potentially transferred to the DWP under TUPE arrangements. Although it should be noted that DWP have not yet confirmed if TUPE will apply. The loss of experienced staff would impact on the Council's ability to investigate its remaining commitments and to develop the approach as mentioned above.
- 5.4 The Council currently receives funding towards the cost of fraud administration from DWP. DWP have stated that this funding will remain for 2014/15 as the administration grant will not be affected. No further commitment has been made beyond this. DWP have not identified the amount included in the administration grant that is attributable to fraud but have said that they will endeavour to inform local authorities in time for the commencement of budget setting for 15/16. However DCLG have stated that funding will be available to address corporate fraud. If South Bucks DC what to retain resources to carry out the corporate fraud and compliance tasks there may be financial implications in the future but this needs to be weighed up against the potential loss from fraud and error.

- 5.5 DWP will only undertake the fraud investigations in relation to Housing Benefit and the Council will continue to administer Housing Benefit and Council Tax Support. SFIS will not be involved in any preventative measures. Cases referred to SFIS will be subject to the national policy and procedures. There will be no ability for Councils to input or influence the national policies or have any input on individual cases. South Bucks DC will not be made aware of on-going investigations that may result in large benefit overpayments, but will still have the responsibility of actioning any changes and recovering the outstanding overpayment.
- 5.6 DWP have not explained how they will liaise or fund Councils to obtain information on Housing Benefit as the SFIS will have no direct access to local housing benefit records. Obviously in order to pursue an investigation in to Housing Benefit fraud they will need a large amount of information with regard to the claim.
- 5.7 DWP have advised that their investigators will be unable to share information or be involved in local fraud investigations concerning Council Tax Support or any other issue. This could lead to a customer being prosecuted for the same offence in relation to different benefits at different times and with different evidence.
- 5.8 At this stage there are many unanswered questions and concerns. Unison have expressed concerns about the decision-making process and have written to LAs to ask them to express dissatisfaction about the lack of consultation. This letter is enclosed as Appendix One. LAIOG have also expressed concern about the future plans and written to all Chief Executives. This letter is enclosed as Appendix 2.

6. Options

- 6.1 This report is submitted to Audit Committee to raise awareness of the situation and the potential impact. Although decisions are not yet finalised and timescales are uncertain. The Council needs to evaluate potential options for the future and consider the following points:

Does South Bucks District Council intend to continue to undertake proactive fraud and error prevention work in respect of Housing Benefit, Council Tax Support and Council Tax discounts and exemptions? - If so we will need to continue our involvement in the partnership and the experienced staff to fulfil this role.

Does the Council support the intention to develop the role of the partnership with Chiltern District Council Fraud and Compliance Team as included in the draft Customer Services 2014/15 Service Plan and detailed in paragraph nine above to build our approach to fraud? - The Council will continue to be responsible for investigating Council Tax Reduction Frauds and has a statutory duty under the Local Government Finance Act to protect the Public Purse.

Should South Bucks District Council continue with informal investigation activity to identify errors and pursue recovery action? In preference to referring the fraud to DWP who will chose whether or not to investigate and we would need to wait for the outcome before auctioning any change to benefit.

Another option would be to wind down our approach to fraud and to discontinue the partnership with Chiltern District Council making a decision not to pursue fraudulent activity in other areas. Obviously although this would generate savings in relation to staffing costs relating to the partnership there is a cost to the Council in terms of not identifying overpayments, not recovering overpayments and potential subsidy loss.

Another option to explore is the potential for a county wide fraud team looking at the residual roles after SFIS on a county wide basis. We are exploring this with other Bucks fraud teams and local benchmarking groups and feel that the partnerships are in a good position to lead on this. We have experience in corporate fraud and working across councils and so would welcome the Audit Committee's support to explore this further.

7. Next Steps

- 7.1 The Service would welcome Audit Committee's views on the potential impact and the options available to the Council. Once timescales and actions are agreed with DWP, a report will be prepared detailing the impact and options available in order that a final decision can be taken. The Audit Committee's views will help inform that report.

8. Summary

- 8.1 Members are asked to note and comment on the potential impact of the introduction of a Single Fraud Investigation Service from a date to be confirmed in 2014/15.

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Background Papers:	