

**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 17 September 2015

**Report Title:** Update on initiatives to counter fraud

**Report By:** Tom Davies  
Chief Auditor

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**Purpose of Report**

To inform the committee of the progress on counter fraud initiatives that the council has taken since the Housing Benefit Investigations service transferred to the Department for Work and Pensions on 1 November 2014.

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**Recommendation(s)**

- 1. That the report is accepted.**

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**Reasons for Recommendations**

On 26 June 2015, Members queried a potential risk raised in the operational risk register that housing benefit and council tax reduction fraud may not be being rigorously investigated and so a report was requested on the fraud reduction and detection initiatives that the council has undertaken.

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## Introduction

1. The transfer of the Housing Benefit Investigations service to the Department for Work and Pensions (DWP) on 1 November 2014 led to the council taking a number of significant initiatives to combat fraud and reduce overpayment error.
2. Hastings Borough Council was successful in 2 joint bids - East Sussex Counter Fraud Hub "Fighting Fraud in East Sussex" and the "Council Tax Reduction review Service" led by Pendle Borough Council. The Council also separately secured £14,375 from a DWP start-up fund and has opted in for Performance Improvement Funding made available through the DWP. It also gained automatic qualification for a bid made by Cambridge City Council that should lead to good referrals.
3. In addition, the Council still continues to investigate matches produced by the National Fraud Initiative (NFI) and supply data (as we did to the Audit Commission - Protecting the Public Purse) for monitoring nationwide. There is also an ongoing contract in place with Northgate who have been engaged to review all our single person discount cases.
4. This report sets out the situation 10 months after that transfer and progress on the new initiatives.

## Department for Work and Pensions - Single Fraud Investigation Service (DWP SFIS)

5. Hastings Borough Council administers housing benefit payments on behalf of the DWP and is reimbursed with a grant covering the benefit payments and a portion for administration. On the 1 November 2014, the council's Housing Benefit Investigations service transferred to DWP SFIS who then took responsibility for investigation of housing benefit fraud.
6. Whilst it is the DWP's money that DWP SFIS investigates (as well as other types of DWP benefit payments) Hastings Borough Council is still interested that housing benefit fraud is being effectively tackled. This is because our housing benefit team pass on good referrals to DWP SFIS for investigation so feedback could be useful and also that successful sanctions can be publicised as a fair warning to the public of the consequences of fraud. Where there is a housing benefit fraud, it usually follows that there has been a council tax reduction scheme element of fraud too. Hastings Borough Council staff tend to pick this up early at the stage of referral and deal with it but there should be a cross-check to sanctioned housing benefit fraud cases for certainty.
7. The council reviewed the situation in May 2015 and asked DWP SFIS for further information and then again on 3 September 2015 when we held a meeting with them and expressed that outcomes had not been as we had anticipated.
8. DWP SFIS assured us that referrals are being investigated. A number of issues were identified and an agreed action plan is in the process of being compiled for seeing the issues through to resolution. Most of the issues are to do with communication channels in our and their operating organisational structures.

## East Sussex Counter Fraud Hub - Fighting Fraud in East Sussex

9. This successful bid was awarded £365,000 and is an East Sussex wide partnership of District, Borough, City & County Councils with private sector partners. The objectives of the project was to:

Establish and develop a co-ordinated approach to fighting fraud locally

Build local capacity to detect and prevent fraud

Focus on identified vulnerable areas

### Progress

10. The East Sussex Counter Fraud Hub has identified £366,000 of fraud payments for recovery for its members in the first 9 months since the award was made although the majority of this was in relation to tenancy fraud benefitting those councils who still have housing stock.
11. Hastings Borough Council has benefitted from 2 training courses; countering employee fraud and procurement fraud. It has access to the hub for investigation of Council Tax Reduction Scheme fraud cases and for Corporate fraud investigation. We are also looking to gain from publicity and advertising campaigns.

## Council Tax Reduction Review Service

12. This project is a partnership consortium between 13 local authority members and 2 private sector suppliers (Transactis and Capacity GRID).
13. Its key objective is to protect the public purse by targeting fraud and error within the Council Tax Reduction (CTR) caseloads of local authorities by applying sophisticated data matching and analytics.
14. The expected outcomes include:

Significantly reducing the levels of fraud and error in CTR

Ensuring the vulnerable are protected

Applying risk based targeting of interventions

### Progress

15. The Council Tax Reduction Review Service only went live for Hastings BC at the end of August 2015 when the first batch of forms for completion were sent out for return to Capacity GRID.
16. Capacity GRID will receive the completed forms and all telephone contact will be between the customer and Capacity GRID who check the authenticity of the return.
17. This system has been acquired at nil cost to Hastings Borough Council. It uses exactly the same data sets as the council sends to DWP each month so there is not

any duplication of effort and the Capacity GRID system is integrated with DWP. By being part of this bid, a lot more sophisticated checking is happening leading to strong referrals without the need for any further council staff resources.

18. It will be the end of October/November 2015 before results can start to be evaluated.

## **Fraud and Error Reduction Incentive Scheme (FERIS)**

19. FERIS was launched by the DWP in 2 parts. The first part was for start-up funding in which Hastings Borough Council successfully received £14,375 for enabling reduction in fraud and error.
20. The second part was for performance improvement funding and provides opportunities for those local authorities who opted into the scheme, to receive bonus payments for performance achieved above the baseline set by DWP.

### **Progress**

21. The £14,375 has been usefully utilised by engaging Capacity GRID in the council tax reduction review service.
22. The baseline level of performance was set by the DWP based on statistics received by them over several years and then uplifted by 10%. FERIS payments will be made if reductions to weekly entitlement of housing benefit is achieved exceeding a series of thresholds compared to baseline performance.
23. Hastings Borough Council has maintained baseline performance during the period April - June 2015 and so has not qualified for a performance payment to date. However, with the other initiatives gaining momentum, it is expected that the council will easily qualify for these incentive payments in the future.

## **Cambridge City Council Northgate Partnership**

24. Cambridge City Council and Northgate (who are the supplier of our revenues and benefits computerised system) successfully secured £850,000 to develop a system that would identify fraud and error. The end product has been a sophisticated system
25. As a Northgate user, Hastings Borough Council will be able to use this system free of charge.

### **Progress**

26. Hastings Borough Council is waiting to go live following inception of new IT servers which are due the end of November 2015.

## Summary

27. The Council has increased its capability for reducing fraud and error in payment of housing benefits and council tax reduction. The introduction of Real Time Information (RTI) matches by HMRC alone has seen a marked increase in reliable referrals from Hastings Borough Council to DWP. The initiatives are still at an early stage and we are waiting for them to deliver soon.

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### Wards Affected

None

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### Area(s) Affected

None

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### Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

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### Background Information

None

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### Officer to Contact

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