

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**Report of: the Strategic Director (Corporate Services)**

**Title: Benefit Fraud Investigation Team Half Yearly Report 12-13**

**Ward: City Wide**

**Officer presenting report: Alison Mullis/Melanie Henchy-  
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**Recommendation**

The Audit Committee is recommended to accept the Half-Year Report.

**Summary**

The report updates the Committee on the Benefit Fraud Investigation Team (BFIT) activity and performance for the period 1<sup>st</sup> April 2012 – 30<sup>th</sup> September 2012.

**Significant Issues**

- Performance Information (paragraph 2 and Appendix A)
- Comparative Benchmark Information (Appendix B)
- Single Fraud Investigation Service (paragraph 5)
- Finance (paragraph 6)

**Policy**

This report is submitted in accordance with the Audit Committee's Terms of Reference.

**Consultation**

Internal – None Necessary

External – None Necessary

## **1. Background**

1.1 The Benefit Fraud Team is a specialist resource that identifies and investigates abuse of the benefit scheme and protects the public purse. Referrals are received from a variety of different sources and criminal investigations conducted, suspects interviewed and suspected fraud cases prepared for sanction and prosecution.

## **2. Performance Information**

2.1 During the first six months of this year, the team have investigated 404 cases and to date, 88 individuals have been prosecuted or sanctioned as a result of the frauds.

- 41 individuals have been prosecuted for benefit fraud
- 30 individuals received local authority cautions
- 17 individuals received an administrative penalty (represents a fine).

2.2 Appendix A provides details of the Team's performance year on year and demonstrates the current position. The Team expect to achieve their target of 177 sanctions for the year.

2.3 Additionally, the Team have identified £791,713 of benefit being claimed incorrectly and it is estimated that a further £378,872 in fraudulent benefits claims have been stopped as a result of the work carried out by the Team.

2.4 Other direct financial benefits of the Team's work include:

- £62,401 in compensation awarded by the court
- £14,234 in costs awarded by the court
- £11,646 Administrative Penalty fines imposed on claimants

2.5 BFIT has also been benchmarked nationally and against other Core City Local Authorities and counter fraud performance compares favourably with both. During 2010 – 11 BFIT's Investigators achieved 32 sanctions against a national average of 22 and were the second highest performing of the Core City authorities. And during 2011 – 12 the BFIT Investigators achieved 29 sanctions against a national average of 25 and were the third highest performing See Appendix B.

### **3. Proceeds of Crime Update**

- 3.1 At the time of the Annual BFIT Report in June 2012, confiscation orders granted in 2011-2012 totaling £65,500 were outstanding. The Regional Confiscation Unit at Her Majesty's Court and Tribunals Service are proceeding with enforcement activity to recover these amounts. The persons convicted in respect of these orders will be subject to prison sentences in default of satisfying the order should the orders not be repaid. Enforcement hearings in respect of the 2 cases affected are due to take place within the next 8 weeks.
- 3.2 In September 2012 a confiscation order totaling £45,484 was granted in respect of another benefit claimant who had been claiming Housing Benefit in respect of a property she owned. The claimant was convicted of offences committed between February 2003 and 2007 and given 6 months to pay the order or serve 17 months imprisonment in default. She will have until March 2013 to settle the order.
- 3.3 There are a further 6 financial investigations ongoing relating to criminal cases with overpayments of benefit totaling approximately £190,000. Confiscation orders will be sought in respect of these cases to recover any overpayments, together with any interest which would have accrued on these funds and where applicable, any additional amount which can reasonably be suspected of being the proceeds of any other criminal activity.
- 3.4 Any orders made as a result of Proceeds of Crime financial investigations will often have some time elapse before they need to be repaid as they will often involve the defendant in having to realise an asset i.e. sell a property. The intention of POCA legislation is to punish the criminal where it will most hurt ie financially.

### **4. Case Studies**

Below are examples of some of the recent cases which the Team have investigated and prosecuted.

#### **4.1 Landlords convicted**

In July 2011 two landlords were convicted for their part in a benefit

fraud. Having sold their property they continued to receive housing benefit in respect of tenants of some £5,000. Both Company Directors, they were ordered to repay all the money they had received plus costs of £1200 and a fine of £2500 was also imposed.

#### 4.2 Working and claiming

Mrs A was working and claiming housing and other social security benefits during 2008 and 2011 before being caught. In that time she received nearly £20,000 she wasn't entitled to. In August she was sentenced and sent to prison for 12 weeks.

#### 4.3 Living together

Bristol City Council and Fraud investigators from the Department for Work and Pensions (DWP) worked together to bring to light a £36,000 fraud. The claimant was convicted of living with her partner who had not been declared for benefit purposes. Both were charged and received suspended sentences together with 150 hours unpaid work. A Financial investigation followed and a confiscation order was granted for the full value of the fraud, £36,000, together with £1,500 in interest and £4,000 costs.

#### 4.4 A Change in Circumstances

Mr F left his rented accommodation and didn't tell the Council. The investigation that followed revealed he had received in the region of £17,000 in housing benefit which he was not entitled to and in May 2012 he was convicted of the offences and sentenced to 10 months imprisonment. He was also fined and will have to pay the money back.

### **5. Single Fraud Investigation Service (SFIS) - update**

5.1 A joint DWP and Her Majesty's Revenue and Customs (HMRC) Fraud and Error Strategy was launched in October 2010 and updated in February 2012 in a joint report with HMRC and the Cabinet Office. This sets out the Government's plans to tackle fraud and error in the tax credit and social security benefit systems and a key part of this is the launch of SFIS.

5.2 SFIS will provide a single service investigating and prosecuting the totality of the benefit offence and this will be done under one set of policies and procedures bringing together staff from DWP, LA s

and HMRC. It is proposed that at some point LA BFIT staff will become SFIS employees and likely to be transferred to the DWP but no time frame for these changes is yet known

- 5.3 Pilots are currently underway to test ways of working and between now and March 2015 SFIS design, including IT solutions will be rolled out across all Local Authorities, DWP and HMRC who have not, up until then been part of the Pilot / pathfinder activity.
- 5.4 Updates will continue to be issued by the DWP as the Project moves forward.
- 5.5 BFIT staff are updated on SFIS progress via DWP bulletins and any developments discussed in team briefings. Contact has also been made with Council HR specialists who have been advised of the DWP planned transfer but it is anticipated no significant changes are imminent.

## **6. Finance / Risk**

- 6.1 BFITs costs are met from the DWP Administration Grant and this is likely to reduce as Universal Credit claims increase, Housing Benefit is phased out and the Council Tax Benefit scheme is withdrawn. At some point in the future a further decision may be taken which might include the permanent transfer of LA fraud staff to SFIS and this may bring more reductions in grant payments.
- 6.2 BFIT is already under significant financial pressure with staffing costs exceeding budget and no opportunity to review further efficiency savings as all options have already been explored.
- 6.3 There is a risk that current levels of staffing will not be able to be maintained and there is a risk that without sufficient resources being available to detect and investigate suspected fraud, the Council will not have assurance that it is fully meeting its statutory responsibility to protect the public purse.

## **7. Risk Assessment**

- 7.1 There are no specific risks associated with this report although the performance of the Team is key to minimising the extent of fraud within the benefit system in Bristol, and to ensuring the expectations of the Council, the DWP and regulatory bodies are met. The Team's relationship with the Benefits Service is key both in terms of the number of quality referrals it receives and the

speed with which the Benefits Service process requests for adjudication.

- 7.2 Current developments under the Governments Social Security Welfare Reform will have an impact on the staff working in both the Benefits Service and BFIT. Between 2013 – 2017, as Universal Credit is introduced, Housing benefit is phased out and the investigation of social security fraud becomes solely the responsibility of SFIS, staff will experience significant change with fraud staff likely to be transferred from the LA to the new organisation responsible for the investigation of future social security fraud.

## **8. Equalities Impact Assessment**

- 8.1 No implications arising from this report

## **9. Legal and Resource Implications**

**Legal** - none sought.

**Resources** – detailed in section 6 above.

### **Appendix A - Sanction Statistics**

### **Appendix B - Core City Benefit Fraud Performance Comparisons 2010 – 2012**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

**SANCTION STATISTICS****APPENDIX (15) A**

YEAR	PROSECUTION		CAUTIONS and ADMINISTRATION PENALTIES		TOTAL	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
2000/1	-	11		-	-	11
2001/2		13		11		24
2002/3	26	16	22	9	48	25
2003/4	55	31	17	13	72	44
2004/5	57	29	24	31	81	60
2005/6	28	42	32	72	60	114
2006/7	40	58	84	82	124	140
2007/8	58	54	86	110	144	164
2008/9	45	55	105	105	150	160
2009/10	55	78	110	101	165	179
2010/11	68	61	102	108	170	169
2011/12	65	88	108	87	173	175
2012/13	80	41	97	47	177	88 *

\* Represents sanctions achieved at half year 30<sup>th</sup> September 2012

**APPENDIX (15) B**

**Core City Benefit Fraud Performance Comparisons 2010 – 2012**

**2010 – 2011**

LA	Total Sanctions	Total No of Benefit Investigators employed	Average sanction achieved per investigator
Birmingham	730	27.2	27
<b>Bristol</b>	<b>169</b>	<b>5.25</b>	<b>32</b>
Leeds *	N/k	N/k	N/k
Liverpool	190	11.7	16
Manchester	260	9.6	27
Newcastle	195	9	22
Nottingham	165	5	33
Sheffield	315	10.2	31
<b>Total for UK</b>	<b>28240</b>	<b>1274</b>	<b>22</b>

**2011 – 2012**

LA	Total Sanctions	Total No of Benefit Investigators employed	Average sanction achieved per investigator
Birmingham	745	26.3	28
<b>Bristol</b>	<b>175</b>	<b>6.1</b>	<b>29</b>
Leeds *	N/k	N/k	N/k
Liverpool	175	11.4	15
Manchester	210	10.1	21
Newcastle	80	4	20
Nottingham	185	5.6	33
Sheffield	275	7.9	35
<b>Total for UK</b>	<b>29245</b>	<b>1189</b>	<b>25</b>

\*Benefit Fraud operation in Leeds has been under “One City One Team” initiative since 2008 where DWP and Local Authority Investigators have worked jointly so it is not possible to supply separate performance information.