

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
28<sup>th</sup> JUNE 2013**

**Report of: Service Director Finance**

**Title: Benefit Fraud Investigation Annual Report 2012-13**

**Ward: City Wide**

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

The Audit Committee is requested to accept changes made to the Benefit Fraud Policy Statement and reaffirm support for the counter fraud work being conducted by the Benefit Fraud Investigations Team.

The Audit Committee is recommended to accept the Annual Report.

**Summary**

This report provides details of the work carried out by the Benefit Fraud Investigations Team (BFIT) over the last year and identifies issues or initiatives which will affect the Team going forward.

It also presents an updated Benefit and Council Tax Reduction Fraud Policy Statement that has been reviewed and amended to reflect changes brought about from the introduction of the new Council Tax reduction scheme that replaces Council Tax benefit from April 2013.

**Significant Issues**

- Changes to the Benefit Fraud Policy Statement (Section 1 and Appendix 1)
- Performance Information (Section 2 and Appendix 2/3)
- Case studies (Section 4)
- Update on Government response to Counter Fraud funding arrangements (Section 5)

## **Policy**

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

## **Consultation**

Internal – None Necessary

External – None Necessary

## **1. Policy Statement**

- 1.1 In 1995 Members approved a Benefit Fraud Policy statement. This document has been updated several times to reflect changes in legislation and working practices. The introduction of the Council Tax reduction scheme in April 2013, replacing Council Tax benefit, has resulted in a further review of the policy. The latest version is attached as Appendix 1.
- 1.2 The prosecution and sanction of offenders is a key factor in attempting to deter abuse of both social security benefits and the Local Tax replacement scheme. The Social Security Administration Act and Local Government Finance Act can be used by the local Authority to deal with fraud and abuse.
- 1.3 Both Council Solicitors and the Crown Prosecution Service (CPS) who represent the Department for Work and Pensions (DWP) bring prosecutions for Social Security, and Housing and Council Tax Benefit on behalf of Bristol City Council. However Council Tax reduction, unlike Council Tax Benefit, is not a social security benefit and any prosecution will now fall out of scope for the CPS leaving all Council Tax Reduction (CTR) fraud case proceedings to be only brought by the Council Solicitors. The CPS previously conducted over half of all such prosecutions and hence additional costs to the Council are likely to incur in prosecution of the new Council Tax reduction offence. To help staff decide appropriate action, Officer Guidance has been produced and recently updated to accommodate the introduction of the new Council Tax Reduction scheme to ensure recovery and prosecution is dealt with efficiently and effectively.

## **2. Performance Information**

- 2.1 During 2012-13 the team investigated 729 cases and 166 individuals have been prosecuted or sanctioned as a result of benefit fraud, see Appendix 2:
  - 82 individuals prosecuted for benefit fraud
  - 56 individuals received local authority cautions
  - 28 individuals received an administrative penalty (which represents a fine)

Sentences and penalties have varied but in summary over the last year punishments have included: 6 individuals being sent to prison for benefit fraud; 19 receiving suspended sentences narrowly avoiding imprisonment; 14 receiving Curfew Orders severely restricting their movements; and 28

individuals having to do over 500 days of work in the community, serving the people of Bristol for their benefit offences as well as the imposition of various fines.

- 2.2 The fraud referrals were received from a variety of different sources including: the Benefits Service; data matching initiatives; calls to the Hotline; and a programme of proactive audits. Appendix 3 shows the number of cases referred and investigated together with the outcomes from those investigations. Analysis shows that the largest number of referrals comes from the Benefit Service and most concern allegations of undeclared living together. However, the most successful cases come from joint working with the DWP fraud teams around allegations of individuals working and claiming benefits.
- 2.3 The Team have identified £1.96 million of benefit being incorrectly claimed of which £1.38 million related to Housing and Council Tax benefit. Additional subsidy payments of £553k can be paid in addition to this amount so if successfully collected, the council have an opportunity of additional revenue. A further £654k in fraudulent claims have also been stopped as a result of the counter fraud work carried out by the Team representing a saving to the Public Purse.
- 2.4 Other direct financial benefits, totalling some £235k, of the Teams work include:-
- £85k in compensation awarded by the court
  - £37k in court costs awarded
  - £18k in Administrative Penalties fines imposed on claimants of which £11k has already been repaid by offenders
  - £95k of Proceeds of Crime awards as a result of financial investigations conducted into benefit fraud.
- 2.5 In summary, the Team continue to provide a cost effective benefit fraud service to the Council which continues to ensure the Council has a robust approach to the identification and prosecution of benefit fraud offenders.

### **3. Going Forward 2013/14**

- 3.1 BFIT staffing levels have reduced from April 2013 with the Investigators (FTE) reducing from 6.0 to 5.5 officers which is the lowest of the core cities. The Investigations Assistant has also tendered her resignation and that officer provides administrative support to the Team including: grading referrals; recording and allocating cases; and conducting preliminary enquiries. It is unlikely that these positions will be recruited to and there is a risk that performance will reduce going forward. Targets for 2013/14 have been adjusted accordingly.

### **4. Case Studies**

- 4.1 Below are examples of some of the recent cases that the Team have

investigated and prosecuted. Every effort will always be made to maximise the recovery of any losses to Bristol City Council by:-

- Asking for realistic court costs
- Instituting recovery proceeding under Proceeds of Crime legislation where the defendant has realisable assets (ie. property, capital) and is in a position to settle a debt promptly

#### **4.2 Owner of 10 homes in £70,000 benefit fraud**

Mr C was sentenced to 6 months in prison for claiming more than £70,000 of social security benefits whilst owning 10 properties in Bristol, Cardiff and Weston Super Mare. Despite his property portfolio Mr C consistently filled in forms and said in interviews that he had no capital, savings and owned no property. Jailing Mr C, the Judge told him:

“What you did was deliberate and greedy. Yours was one of the worst types of fraud.”

Following the fraud investigation, the Benefit Fraud Team have conducted a financial investigation under Proceeds of Crime legislation and on 26<sup>th</sup> March it was agreed that Mr C’s remaining available assets of £29,542 be confiscated in settlement of his debts. It is likely he will have to sell his home to repay this.

#### **4.3 Full Force of the Law!**

Following a referral from colleagues in Environmental Health an investigation was started into a benefit claim being made by Mr S. On the basis of social security benefits and later, low income from employment, he claimed nearly £20,000 from Bristol City Council between 2008 - 11. During this time, he owned several properties that he had rented out to tenants. He also owned the house where he was living and claiming to rent.

Prior to sentencing, Mr S repaid all the benefit he had defrauded plus interest of £23,000, and full costs of nearly £6,000. He pleaded guilty at Court but the Judge was not impressed and sentenced him to 6 months imprisonment suspended, 300 hours community punishment, a 6 month curfew and a fine of £19,000 in addition to the amounts already repaid. Clearly crime didn’t pay!

#### **4.4 £45,000 fraud – Woman will have to sell her house**

An anonymous tip off helped the City Council uncover a benefit fraud going back to 1993. Ms W made a claim for help with rent, creating a fictitious landlord and providing forged rental evidence when she actually owned the property she was living in and claiming benefit for. Sentencing her to an 8 month prison sentence, suspended for 18 months, the Judge described Ms W as “devious”. Costs of £3,643 were awarded to the Council and Ms W has been ordered to repay £45,484 and as a result is likely to have to sell

her house to settle the debt.

#### **4.5 Biggest mistake!**

Following a Department for Work and Pension data matching initiative, information was uncovered that Ms G may have capital that hadn't been declared for benefit purposes. Enquires were made and the Investigators discovered a £40,000 inheritance. Ms G was interviewed and admitted the matter. Ms G solicitor claimed that this was her clients "Biggest mistake in her life." At court she received a suspended prison sentence, an order to do 100 hours community work and pay £1,114 in costs to the Council. The debt is currently being repaid.

### **5. Future Funding for Counter Fraud Work**

5.1 The Government funding of Social Security Fraud work is under continuous review. Under the Anti Fraud incentives scheme Local Authorities were rewarded for successful fraud work with additional subsidies paid for identifying fraudulent overpayments and achieving sanctions and prosecutions. This scheme ceased some time ago and there is no direct fraud funding allocated. It is up to the Local Authority (LA) to decide how best to share funding across the service.

5.2 Representation has been made to the Minister for Welfare Reform, Lord Freud, regarding concerns as to how LA s will continue to adequately support their counter Fraud effort with reductions in the DWP Grant and increasing budget pressures. The Minister responded providing a background to the benefit changes and an overview of the new Universal Credit as well as mention of the SFIS pilot activity that is currently underway. The Minister promised continued funding to support Local Authorities administer benefit, including anti fraud activity but longer-term concerns for counter fraud work were not addressed.

5.3 An internal exercise is underway to identify the minimum level of service the council needs to provide to meet statutory / grant requirements and establish funding for a three-year period. The BFIT function may be included in this work as some funding comes directly from the DWP and some from the City Council. If funding is reduced then it is likely that staffing resource will be cut and service delivery will be affected.

### **6. Risk Assessment**

6.1 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:

- Receiving continued funding for the fraud function
- The number of quality referrals it receives

- The speed with which the Benefits Service process requests for adjudication

6.2 With further significant reductions expected to the DWP Administration grant in 2014 – 15, there is a risk that current levels of staffing will not be maintained due to increasing pressure on budgets. A resulting risk is 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 under Section 151 of the Local Government Act 1972 and failing in its responsibility under Section 5 (4a) Accounts and Audit Regulations to protect the public purse and prevent and detect fraud and error. Additionally, fraud may increase as the deterrent of prosecution is reduced.

6.3 Current developments under the Governments Social Security Welfare Reform will also 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. Fraud staff are likely to be transferred from the LA to the new organisation responsible for the investigation of future social security fraud. This may result in the loss of valuable skills from the Council in terms of specially trained accredited counter fraud officers equipped to undertake criminal investigations.

## 7. **Equalities Impact Assessment**

No implications arising from this report

## 8. **Legal and Resource Implications**

**Legal** - none sought.

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

**Appendix 1 - Policy Statement**

**Appendix 2– Sanction statistics**

**Appendix 3 –Comparative Data / Results**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** None

**Benefit  
and  
Council Tax Reduction  
Fraud Policy Statement**

The Benefit Fraud Investigation Team is committed to preventing fraud of the Public Purse and will take effective steps to identify and stop this abuse. Through pro-active exercises based on risk analysis, and by reacting to and investigating fraud referrals from the public, the Revenue and Benefit Service and other stakeholders, the Team will seek to protect the public purse by identifying fraudulent claims and removing them from the system, applying appropriate sanctions, prosecuting offenders and seeking to recover any losses.

When fraud is proven, the Council will consider whether it is appropriate to bring formal sanction action either through the imposition of an Administrative Penalty (fine) Caution or Prosecution. Every case will be considered on its merit having regard for the circumstances of the case, the person involved and whether it is in the Public Interest. When considering whether to apply sanctions or prosecute, the Council will not, directly or indirectly, discriminate against different groups. Staff will treat people in a professional, sensitive and appropriate manner.

The Team will publicise high profile cases in the media, and use other approaches to make it clear to those attempting to commit benefit fraud that this will not be tolerated and they are likely to be caught. This will send a clear message to the citizens of Bristol that the City Council is serious about protecting public money and will not tolerate fraud.

June 2013

**SANCTION STATISTICS**

APPENDIX (19) 2

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	82	97	84	177	166
2013/14	82	4	82	8	164	12*

\* Performance at 10<sup>th</sup> May 2013



Comparative Data / Results 12/13

APPENDIX (19) 3

LOCAL AUTHORITY

Bristol City

Total Caseload

517253 Feb-13

No of Investigations per Officer

123

No of Sanctions per Officer

28

Source	No. Referrals Received	No. Investigations Undertaken			No. Positive Cases			No. Prosecutions	No. Admin Penalties	No. Cautions	No. No Fraud Found	
		Compliance	Criminal		Compliance	Criminal					Compliance	Criminal
			LA Only	J/Working		LA Only	J/Working					
Benefits Section	325		89	65		37	13	15	6	12		104
Fraud Hotline	99		2	28		1	6	2	0	0		23
Data Matching	212		149	37		71	17	14	7	16		98
DWP	134		1	145		0	98	33	11	21		48
Interventions												
Other Visiting Activity												
Proactive	143		77	41		23	7	5	3	6		88
Other Internal	65		15	25		4	4	4	1	0		32
Other External	255		13	42		5	19	9	0	1		31
<b>TOTAL</b>	<b>1233</b>		<b>346</b>	<b>383</b>		<b>141</b>	<b>164</b>	<b>82</b>	<b>28</b>	<b>56</b>		<b>424</b>

Fraud Type	No. Referrals Received	No. Investigations Undertaken			No. Positive Cases			No. Prosecutions	No. Admin Penalties	No. Cautions	No. No Fraud Found	
		Compliance	Criminal		Compliance	Criminal					Compliance	Criminal
			LA Only	J/Working		LA Only	J/Working					
Working and Claiming	326		130	153		51	74	26	19	25		158
Living Together	328		25	147		5	55	20	1	10		112
Tenancy Related Fraud	45		17	4		5	1	2	0	2		15
Undecl.Capital or Property	66		5	34		2	19	11	3	0		18
Undecl.Other Income	181		66	27		19	8	4	2	7		66
Household Comp.Fraud	104		11	4		0	0	0	0	0		15
Non-Residency Fraud	174		91	12		58	5	16	3	12		40
Identity Fraud	7		1	2		1	2	3	0	0		0
Other	2		0	0		0	0	0	0	0		0
<b>TOTAL</b>	<b>1233</b>		<b>346</b>	<b>383</b>		<b>141</b>	<b>164</b>	<b>82</b>	<b>28</b>	<b>56</b>		<b>424</b>