
REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT
2011/12

Purpose of Report

1. To inform members of the work of Revenues and Benefits in respect of Counter Fraud activity for the financial year 2011/12.

Summary

2. The report highlights that the Benefits Investigators are a key element of the Council's Anti- Fraud and Corruption arrangements, highlights changes in content from previous years, refers to the maintenance in the number of successful sanctions and fraud prosecutions obtained and concludes that overall a positive performance was achieved during the course of the year.

Recommendations

3. It is recommended that the Revenue and Benefits Annual Counter Fraud Activity Report for 2011/12 be noted.

Reasons

4. The recommendations are supported by the following reasons:
 - (a) To inform members of counter fraud activity work within Revenues and Benefits.

Murray Rose
Director of People

Background Papers

- 1 Benefits investigation case files
- 2 DBC Benefits Anti Fraud Policy and Strategy
- 3 DBC Benefits Sanction Policy

Anthony Sandys: Extension 2512

S17 Crime and Disorder	Other than the special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Revenues and Benefits Annual Report 2011/12

Purpose of Report

5. To inform members of the work of Revenues and Benefits in respect of counter fraud activity for the financial year 2011/12.

Background

6. Whilst the Department for Work and Pensions (DWP) has overall responsibility for the scope and structure of Housing Benefit and Council Tax Benefit Schemes, Darlington Borough Council has the day-to-day responsibility for their administration. This remit includes the prevention, detection and prosecution, where appropriate, of benefit fraud.
7. In 2012 the Revenues and Benefits Team has re-structured to achieve efficiency savings. The Benefits Investigators are responsible for investigating all allegations of Housing and Council Tax Benefit fraud. In certain circumstances, when the law allows, the Local Authority can also investigate allegations of benefit fraud against certain benefits administered by the DWP, and also has the power to prosecute offenders for these offences. The unit is currently staffed by 2 full-time equivalent investigators who are fully qualified Accredited Counter Fraud Officers. The Team Leader is a fully qualified Accredited Counter Fraud Manager.
8. The Benefits Investigators also have begun to investigate allegations of Local Taxation fraud such as incorrectly claimed discounts and exemptions, as well as businesses failing to register themselves or making incorrect applications for exemptions under the National Non-Domestic Rates scheme.
9. The effective response to the threat of benefit fraud requires a number of policies, procedures, teams and organisations coming together to produce an anti-fraud culture. This is achieved in the following ways:-
 - (a) **Anti-fraud culture.** Darlington Borough Council has a Housing Benefit Anti-Fraud Policy and Housing Benefit Anti-Fraud Strategy, as well as a Housing Benefit Sanctions policy all of which are embedded within the Council's Corporate Anti-Fraud Strategy and Policy.
 - (b) **Prevention.** Darlington Borough Council only accepts original documentation as proof of a customer's financial circumstances. It also has 1 full-time equivalent Benefit Visiting Officer who reviews benefit claims as part of a proactive programme of reviews to ensure that the claim remains correct, and then re-assesses the claims where a change of circumstances has been declared. During 2011/12 the Benefit Visiting Officer visited 854 people in their homes, of these, 387 people were found not to be receiving the correct amount of benefit.

- (c) **Detection.** Darlington Borough Council uses all available techniques to identify fraud. This includes data matching within the Housing Benefit Matching Service (HBMS) and the Audit Commission's National Fraud Initiative (NFI), as well as reviews of Council Tax discounts and exemptions. The Benefit Investigators undertook a fraud drive in the summer of 2011, which revealed some claims where customers were not receiving the correct amount of benefit.
- (d) **Investigation.** Professionally trained investigators using tested methods to uncover evidence of fraud.
- (e) **Sanction.** Where fraud is identified, taking the appropriate sanctions and publicising the results as a deterrent.
- (f) **Redress.** Fully recovering the debt to show that fraud does not pay.

Analysis

Performance

- 10. In 2011/12 we received 530 referrals including those coming from matches provided by the Housing Benefit Matching Service, compared to 644 for the 10/11 financial year. This reduction is in part due to a technical problem at the Housing Benefit Matching Service which meant that no referrals have been received from them since December 2011, other than matches with data held by a credit reference agency.
- 11. The results of Housing Benefits counter fraud activity have maintained last year's performance, illustrated in **Table 1** below. A total of 82 sanctions and prosecutions have been achieved in 2011/12, including 32 prosecutions resulting in guilty verdicts at Darlington Magistrates Court, Newton Aycliffe Magistrates Court and Teesside Crown Court. A further 5 prosecution cases are currently in progress. In comparison, the total number of sanctions and prosecutions achieved for the same period in 2010/11 was 84 sanctions of which 27 were successful prosecutions. Last year the Benefit Investigators were benchmarked informally against other local authority counter fraud teams through the DWP. According to these statistics, Darlington Borough Council performs well within the region. It is unlikely that this benchmarking will continue in 2012/13 due to a lack of resource at the DWP.
- 12. The Housing Benefit Fraud hotline number and shared Fraud Hotline number are advertised on the Benefit Fraud webpage.
- 13. Housing Benefit Sanctions issued during 2011/12 are shown in **Table 1** below. This also shows the amount of overpayment, broken down by sanction type, and the total amount of Administrative Penalty accepted during this period, and the amount recovered within the financial year. Definitions of the types of sanctions available are attached at **Appendix A**.
- 14. Included in these sanctions are four people that were successfully prosecuted by Darlington Borough Council, where the outcomes of the cases were reported in the Northern Echo in 2011/2012.

Table 1

Type of Sanction	Number	Overpaid Benefit	Administrative Penalty accepted	Amount recovered	Amount Written off	Amount currently being recovered
Simple Caution	22	£22,486		£20,970	£0.00	£1,516
Administrative Penalty	28	£29,113	£7,061	£24,327	£0.00	£11,847
Prosecutions	32	£154,259		£77,363	£0.00	£76,896
Total	82	£205,858	£7,061	£122,660	£0.00	£90,259

15. Data matches from both the NFI and the Housing Benefit Matching Service are a good source of referrals, as they point to an area where customers have not declared their true circumstances, and form an important part of the sanction activity for the team.
16. The Benefit Investigators investigated referrals from the 2010/11 National Fraud Initiative, where our data is matched with data held in other Local Authority databases, both internal records and data held by other authorities. This resulted in a number of people being offered sanctions or being prosecuted in the courts. As with the matches provided by the HBMS these indicate potential incorrect information held by Revenues and Benefits.
17. During the financial year 2011/12 the DWP implemented a system whereby changes in certain state benefits, including Tax Credits, are notified immediately to the Local Authority so that they can update those customers' details. The new system has enabled changes in Tax Credits to be identified quicker, and so reduce fraud and error along with the risk of the claim being overpaid. Other benefits, such as Employment Support Allowance, Job Seekers Allowance, Income Support, Incapacity Benefit, State Retirement Pension, Carers Allowance, Pension Credit, Widowed Parents Allowance have recently been included in this system, and it is anticipated that over the coming financial year we should see the risk of overpayments coming from customer fraud and error further reduce as a result.
18. The HBMS started to send referrals based on a match of data held by the HBMS with credit reference agency data in the last 2 quarters of the financial year 2011/12. This is expected to reveal households where there may be undeclared adults in the property.
19. We expect the Benefit Investigators during this coming year to continue to investigate allegations of incorrectly claimed discounts and exemptions for Local Taxation and National Non-Domestic Rates. It is possible during the coming financial year that Revenues and Benefits may also become involved in visiting newly developed properties to invite residents to register with Local Taxation so that the Council Tax liabilities can be promptly created and arrangements made to pay these sums. It is possible that the Investigators may support other Revenues and Benefits staff in a similar way for businesses needing to register for National Non-Domestic Rates. This may increase in importance as a

result of the Council starting to keep revenue from the business rates retention scheme; the technical reform of local taxation discounts; and the introduction of Council Tax Support.

20. Revenues and Benefits produce a half-yearly newsletter, which is distributed to all members of the Revenues and Benefits Team, Housing Services, and Customer Services. They also contribute to the bi-annual fraud awareness newsletter, published by Audit Services to raise awareness of all aspects of fraud, and encourage staff to report allegations of Housing and Council Tax Benefit fraud. Revenues and Benefits notify the Communications Unit of any significant fraud prosecutions cases due to come before the courts, so that the press can be alerted. During the financial year 2011-12 the Northern Echo reported on two successful prosecutions at Teesside Crown Court and two successful prosecutions at the Magistrates Court, two of which were brought on behalf of ourselves, one in conjunction with the DWP and one in conjunction with the DWP and Hambleton District Council. Achieving good publicity in this regard is seen as critical to the success of the service's counter fraud activities and in the coming year, Revenues and Benefits wishes to build on this and work with the Communications Unit to improve the team's public profile further.

Training

21. All new Customer Services staff who answer telephone queries about Housing and Council Tax Benefit receive training to identify potential frauds, and how to notify any suspicions they may have. All new members of Revenues and Benefits, as well as staff in Customer Services who will see customers who call in to the office, receive training in identifying original documents and how to identify any forged or counterfeit documents. The Control Team Leader provides this training, as well as providing annual refresher training.

Conclusion

22. Revenues and Benefits continued to maintain its performance with regard to the number of sanctions and prosecutions it generated in the financial year.

Definitions

Simple Caution

This was previously called a Formal Caution, and it is offered as an alternative to prosecution, but it is not a criminal conviction. Simple cautions can only be offered when the suspect has admitted to committing the offence. Darlington Borough Council's Sanctions policy defines when a simple caution may be appropriate, but each case is considered on its own merits. All simple cautions are recorded with the Department for Work and Pensions, and may be cited in court, should the customer commit another offence against either a benefit administered by the Department for Work and Pensions or Housing or Council Tax Benefit, and be prosecuted for it.

Administrative Penalty

An Administrative Penalty is an alternative to prosecution. Section 115A of the Social Security Administration Act 1992 details when an Administrative Penalty may be offered. It may only be offered in respect of an overpayment which is recoverable under section 71, 71a, 75 or 76 of the Social Security Administration Act 1992. An Administrative Penalty for any offence which started before 08/05/12 is set at 30% of the overpayment, and the Administrative penalty for any offence which started after 08/05/12 is set at 50% of the overpayment, with a minimum value of £350.00 and a maximum of £2,000. The Administrative Penalty is recoverable after the overpayment has been repaid to Darlington Borough Council.

Darlington Borough Council's Sanctions policy defines when an Administrative Penalty may be appropriate, but each case is considered on its own merits. Consideration is given to the person's financial circumstances – as far as they are known, and whether offering an Administrative Penalty will cause undue hardship. All Administrative Penalties are recorded with the Department for Work and Pensions, so that if the person commits another offence against a benefit administered either by the Department for Work and Pensions or a Local Authority, and that authority is considering offering a sanction to the person, this may affect their decision.

Prosecution

Darlington Borough Council's Sanctions Policy defines when it will seek to prosecute for an offence. Each case is taken on its own merits, and consideration is given to health and social factors. If Darlington Borough Council offers a simple caution or administrative penalty to someone it considers to have committed an offence, and they either decline the offer or fail to attend any appointment to discuss the offer and do not contact the office to re-arrange the appointment, then the case will always be referred to the Legal Department for them to consider instigating legal proceedings.