

TO: EMPLOYMENT COMMITTEE – 21ST SEPTEMBER 2004

SUBJECT: BENEFIT FRAUD INVESTIGATION SECTION

FROM: FINANCE

1. PURPOSE OF REPORT

1.1 To request the approval of the Committee to a minor reorganization, outlined in paragraph 2.2 of the report, which will achieve improved financial efficiency, and a net saving of £28100, as indicated in paragraph 2.3 of the report.

2. BACKGROUND

2.1 The Current Position

2.1.1 The current establishment of the fraud investigation section is as outlined in Appendix A attached. The section is under the control of the Audit and Risk Manager within Finance. Its current establishment is 2½ full-time Investigator staff with no dedicated administrative support.

2.1.2 The section head post, Investigation and Prosecution Officer F04/060 has been vacant since 31st October 2002. The vacancy has been held for such a long period so as not to compromise any proposals that might come from the May 2003 Council-wide restructure, and the possible proposals in respect of Benefits and the full implementation of the Government's Verification Framework.

2.1.3 The section has been managed by the Assistant Investigation Officer F04/085 acting up as the section head, and no filling of the vacant post.

2.1.4 It is apparent that such a long term temporary position cannot be allowed to continue and steps are being taken to advertise and fill the section head post.

2.1.5 The impact of the current understaffing has meant that some of the salaries saved could be used to pay for part-time temporary clerical assistance to service the investigators. This has proved to be a very efficient way of operating that liberates time for the acting section head, and other part-time investigator to concentrate on their main duties of investigation, interviewing claimants and generating subsidy income.

2.1.6 It is normal for an annual report to be generated to summarise performance for the year and a copy of the 2003/2004 report recently circulated to all members, is attached at Appendix B to give some further detail on the work of the section.

2.1.7 The performance outlined in the report has been generated by 1½ Investigator staff and ½ time temporary clerical assistant being financed from the vacant investigator post. Once the steps are taken to fill the vacant post, there will be no approved post or funding to provide clerical support to the section.

2.1.8 One of the options would be simply to try and carry on without that dedicated support, but it is believed there is a real need for that support to allow the investigators to concentrate on their main role.

2.2 The Proposal

2.2.1 Once the section head post is filled, there will be two and a half staff working on the investigation functions. The investigators will need admin support and currently there are no resources within Finance to provide that, although the typing resources in Finance are used to type up the taped interview notes of suspects interviewed.

2.2.2 If no admin support is available for the team, they will each have to deal with their own case notes, file extraction and collation of evidence received. The annual cost of an employee on Band I for 3 days a week is £9,100 including Employers oncosts and likely salary award for 2004/2005.

2.2.3 The proposal is that such a part time clerical post be created to service the investigating staff, and for the cost to be financed from the increased income which is likely to be generated from the investigating staff completing more cases. It is the completion of cases that generates income for the authority by way of sanctions rewards from the Government (DWP), by way of overpayment subsidy from the Government, and by the ability to issue administrative penalties on the fraudulent claimants as well as our being able to invoice those claimants for the actual overpaid benefit.

2.3 The Financial Justification

2.3.1 Additional Cost over current budget £9,100

(3 days per week clerical appointment Band I)

2.3.2 Additional Income from filling vacant investigator post and claiming increased number of sanctions.

It is assumed a new investigator once trained will achieve similar levels to current part-time investigator.

30 new sanctions per year at average of £1,240 per sanction.

Additional Income £37,200

Estimated net saving £28,100

2.3.3. It is true that there are other income streams which follow on from identifying more fraudulent overpayment cases, but the direct link between more staff and the additional income that should arise is not so easy to demonstrate as the estimate indicated above. For the sake of completeness it should be noted that the fraudulent overpayments identified produce subsidy themselves from the DWP of 40%, and in addition the authority can reclaim the full overpayment from the claimant.

2.3.4 In practical terms this means the Council receives the 40% subsidy, and recovers approximately 30% of the overpayments from claimants, but over a very long time in many instances.

3. POLICY AND BUDGET FRAMEWORK

3.1 There is currently a very positive Government approach on anti-fraud activity, and under the Council's Corporate Strategy there is a requirement; "to ensure that benefits distributed by the Council reach those entitled."

3.2 The Council is firmly committed to the continuous improvement required under the ethos of the Comprehensive Performance Assessment (CPA) system. As part of this year's inspection there was a Benefit Fraud Inspectorate (BFI) assessment of the Council's Benefit performance and related fraud prevention work.

3.3 The assessment indicated a **Fair towards Good** performance, which is an excellent result and will be reported separately to the Council. However, there were identified areas for improvement and (inter alia) the ones relating to the fraud prevention service were as follows:

- appoint a fraud manager and develop a business plan for the delivery of the counter fraud service.
- develop a strategic steer for the further development of the counter fraud service to enable full compliance with Performance standards.

3.4 The proposals in this report will start the process of directing adequate resources at the counter fraud activity, and thus enabling the appropriate strategic steer and Business Plan approach to be developed.

3.5 Current Budget Provision 2004/2005

Benefit Fraud Investigation Section

Expenditure

Employee Costs 2½ posts	£71,350
Car Allowances	<u>£1,600</u>
	<u>£72,950</u>

Income

DWP Sanctions Rewards	<u>£41,200</u>
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Recovered Income from Claimants

No provision is made within the current budget for recovery of overpayments from claimants or the levy of administrative penalties. This position will be reviewed as better data on recovery becomes available.

WIB rewards and overpayment subsidy

No provision was made within the current budget for the income generated by WIB rewards for counter fraud activity, and the much larger figure of WIB rewards for claimant error was included within the overall subsidy calculation under the separate Benefits budget, along with the calculation of overpayment subsidy.

4. CONCLUSIONS

- 4.1 The current staff are producing excellent results but are operating under severe pressures as there is no section head in post. Action is being taken to fill that post.
- 4.2 The current establishment does not include any provision for administrative support, and it is proposed to remedy that by creating a 3 day per week post at Band I costing £9,100 per annum.
- 4.3 The provision of that post would enable the more appropriate concentration of effort into the investigating role by the investigators, and the subsequent additional subsidy would more than exceed the cost of the post by £28,100.
- 4.4 Once the new section head is in place, and the new clerical post appointed, the section would then be in good shape to address the recommendation of the CPA Benefit fraud inspection.

Andrew Dunnell,
Head of Finance.

BACKGROUND PAPERS

NIL

Areas in District Affected: None.

Key Decision: No

Included in Forward Plan: No

For further information about this report please contact:

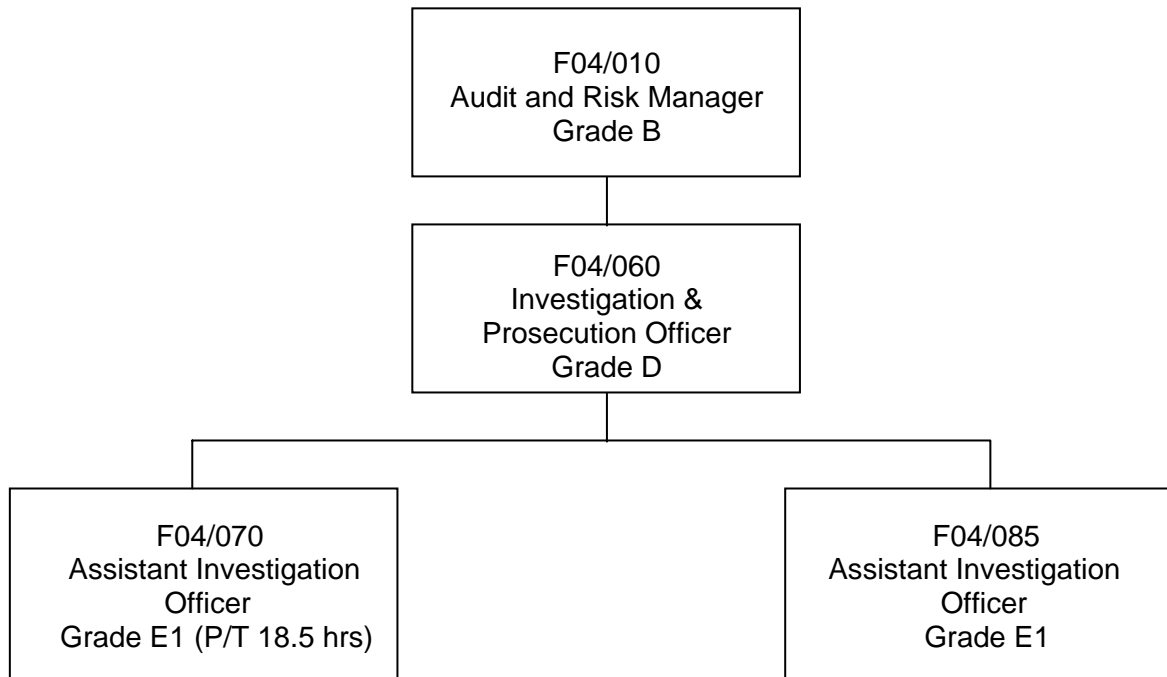
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STRUCTURE FOR FINANCE

AUDIT AND RISK DIVISION



TO: ALL MEMBERS – JULY 2004

**SUBJECT: BENEFIT FRAUD INVESTIGATION ANNUAL PERFORMANCE REPORT
2003/04**

FROM: FINANCE

1 PURPOSE OF REPORT

1.1 To inform members of the performance of the benefit fraud investigation section for the financial year 2003/04.

2 ORGANISATION OF THE BENEFIT FRAUD INVESTIGATION FUNCTION

2.1 The Benefits Investigation Section comprises 2.5 investigators based in the Audit and Risk Division of the Finance Service Area, part of the Community Resources Directorate. The Section is therefore in a different Directorate to that of the Benefits and Revenues Service which is part of the Customer Services Directorate. Although the Benefit Fraud Investigation Section has, since its inception in 1989, been separate from the Benefits service, this arrangement has recently been reviewed as part of the general organisational restructure. It is to be reviewed again after 31 March 2006.

2.2 The supervisory post in the section was kept vacant throughout the year pending the above review. The full-time investigator acted up as head of the section. The vacant post was partly used to fund some much-needed clerical and administrative support for the function, enabling a more efficient use of the investigators' time by allowing them to concentrate on counter-fraud work.

2.3 Performance for the year was therefore derived from one and a half investigators and some administrative support. The staffing costs amounted to £50,004.

3 FRAUD INCENTIVE ARRANGEMENTS AND PERFORMANCE FOR 2003/04

3.1 The performance of the Benefit Fraud Investigation Section is measured by its success in earning income. Ideally, the Section should be self-financing. Income is earned under a counter-fraud incentive scheme operated by the Department for Work and Pensions (DWP) called Security Against Fraud and Error (SAFE). The key elements of the scheme involve:

- Prevention - offering higher incentive payments to local authorities that comply with the Verification Framework, as recognition of their efforts to prevent fraud entering the system
- Deterrence - offering incentive payments to local authorities for the identification of both fraud and error overpayments

- Sanctions - offering incentive payments to local authorities, in particular for successful prosecutions, but also for court summonses and for issuing an administrative penalty or caution.

3.2 Under the SAFE scheme income is available from potentially two sources in relation to counter-fraud activity - the DWP and claimants.

3.3 Income from the DWP is available in the form of:

- Subsidies
- Sanctions Rewards

3.4 Income from claimants is obtained from:

- Administrative penalties
- Repaid overpaid benefit

3.5 These are explained below.

3.5.1 **Subsidies**

There are two types of subsidy available from the DWP in respect of counter-fraud activity:

WIB Subsidy

Weekly Incorrect Benefit (WIB) rewards are obtained for identifying overpayments through claimant error or fraud. The total amount of WIB rewards in excess of gov't target achieve subsidy of £1 for every £1 above the target.

The following rewards were in place for a designated partially VF-compliant authority such as Warwick District Council for 03/04 and are based on the amount of weekly incorrect benefit (WIB) identified for each individual case.

Level of Weekly Incorrect Benefit	Amount of Reward
£4.99 or below	No reward
£5.00 to £20	£13
£20.01 and above	£52

The above rewards are based on benefit being reduced and an overpayment being identified. For non-declaration of earnings and living together as husband and wife cases, the rewards are doubled.

Rewards at a rate of £50 per case are also available from DWP benefit fraud cases where the Council has alerted DWP and they have subsequently confirmed fraudulent activity.

For 2003/04, WIB rewards from counter-fraud activity amounted to £3,146 in respect of WDC cases and £300 from DWP cases.

Based on the govt target of £39,234 for the year, the WIB rewards from counter-fraud activity of £3,146 together with WIB rewards from claimant error of £86,086 has generated WIB subsidy of £49,998 for 03/04.

Overpayment Subsidy

This is paid at a uniform rate of 40% of overpayments arising from either claimant error or fraud.

Income from this source amounts to £38,646 for 03/04.

3.5.2 Sanctions Rewards

Rewards can also be claimed from the DWP for fraud investigations that lead to the application of a sanction. A sanction comprises administrative penalties, formal cautions and prosecution activity. The following payments can be claimed based on the type of sanction applied.

Type of sanction	Amount of payment
Administrative penalty issued and accepted	£1,200
Formal caution issued and accepted	£1,200
Information is laid with a Court and the Court issues a summons	£1,200
Successful prosecution	£2,000

Income from sanctions amounted to £64,400 for 03/04.

3.5.3 Administrative penalties

Administrative penalties issued to offenders for 03/04 amounted to £18,112.05.

3.5.4 Overpayments

Overpayments identified by fraud investigation staff amounted to £96,614.82 for 03/04.

Clearly, not all debts by claimants are paid although attempts are made to recover where appropriate.

3.6 The financial position can be summarised as follows.

Summary: Total Income From Counter-Fraud Activity

From DWP:

- Subsidies

-	WIB Subsidy	£3,446
-	Overpayment Subsidy	<u>£38,646</u>
		£42,092
•	Sanctions Rewards	<u>£64,400</u>
		£106,492
From claimants:		
•	Administrative penalties	£18,112
•	Overpaid benefit	<u>£96,615</u>
		<u>£221,219</u>

Note that the income from claimants is dependent on recovery whereas the income from DWP is 'guaranteed'.

4 **POLICY AND BUDGETARY FRAMEWORK**

4.1 The recommendations in this report do not have any direct impact on policy or budget.

5 **CONCLUSIONS**

5.1 Income generated by the work of the Benefit Fraud Investigation Team is in excess of the costs of operating the function and confirms a very high level of performance for 2003/04.

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