
Report To:	Audit Committee	Date:	9 January 2018
Report By:	Corporate Director Environment Regeneration & Resources	Report No:	AC/15/17/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Invitation – DWP Joint Counter Fraud Initiative		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Members of the invitation from the DWP to the Council to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud and to note the Council's response.

2.0 SUMMARY

- 2.1 On 13 October, the Council received an invitation (Appendix 1) to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. This was in response to a pilot exercise between the DWP and West Dunbartonshire Council.
- 2.2 At this stage, the DWP are only seeking expressions of interest from Councils, but are keen to encourage as many Councils as possible to work with the DWP so that we can fight local fraud and corruption together.
- 2.3 An analysis of pros and cons has been undertaken at 6.4 which has determined that at this current time, there would be no additional significant benefit or incentive for the Council to sign up to the joint working initiative and the Council has responded accordingly.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members note the invitation in relation to the DWP's Joint Counter Fraud Initiative and the Council's response.

Scott Allan
Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 From October 2014, the DWP created a Single Fraud Investigation Service (SFIS) which included the investigation of Housing Benefit fraud that used to be carried out by local authority Benefits Service but excluded Council Tax Reduction, which was to remain with the local authority. The DWP reduced its annual administration grant for those UK local authorities that transferred benefit fraud investigation to the Department for Work & Pensions' Single Fraud Investigation Service by 31 March 2016. Inverclyde Council's transfer date to SFIS was 1 February 2016.
- 4.2 In early 2015, a feasibility study was commissioned in relation to joint working between Local Authorities and the DWP's Fraud and Error Service (FES) looking at fraud cases involving both Social Security and non-Social Security Benefits.
- 4.3 A proposed joint investigation model was developed and pilots were undertaken with 5 Local Authorities, including West Dunbartonshire Council, between November 2015 and November 2016.
- 4.4 A number of assumptions were provided for:-
- work would be done by existing Corporate Fraud teams;
 - the DWP would lead on investigations and all costs would be absorbed by them; and
 - savings would be realised from the removal of duplicate activity and from both parties becoming aware of additional criminal fraud that they did not previously know about.

5.0 PILOT OUTCOMES

- 5.1 Based on operational outcomes from the pilots, the minimum estimated savings average at £75k per authority that participates over 4 years. Under post-implementation, "steady state" savings per average local authority are in the region of £23,400 per annum, which is based on a number of assumptions including:
- LAs are usually self-financing and should be able to absorb Joint Working Council Tax Reduction Scheme (CTRS) cases at no additional cost;
 - LA criminal fraud action will be taken on CTRS;
 - LA fraud investigation procedures and costs estimates per activity are the same as DWP Fraud and Error Service (FES); and
 - c190 LAs working with FES to create 21.5k joint working cases per annum (5-15 cases per month on average depending on relative size of LA).
- 5.2 The focus of the work of the Corporate Fraud Team at West Dunbartonshire is on CTRS, as there is a financial target set for the team for 2017-2018 of £180k. The addition of joint working has been easier to absorb as the team is already working on these cases.

6.0 CURRENT POSITION

- 6.1 Inverclyde Council set up a Corporate Fraud team in February 2016 comprising 2 FTE. The focus of the team is to undertake proactive risk based reviews, oversee the National Fraud Initiative, ensuring outcomes are achieved and investigate any corporate fraud referrals or whistleblowing complaints.
- 6.2 For 2016/2017 there were 5 Housing Benefit referrals passed to the DWP which would have been suitable for joint working as there were CTR benefits attached. From 1 April 2017 to date there have been 8 similar referrals passed to the DWP. We have asked for an update on these cases, but the DWP are having difficulty finding some of these cases on their system.

- 6.3 Through discussions with local DWP fraud investigators, there could be approximately 40-50 cases suitable for joint working each year. In addition, there may be some additional CTR cases identified by the National Fraud Initiative which could involve joint working once the matches have been checked as the cases could also have DWP benefits in payment.
- 6.4 There are a number of pros and cons for the Council to consider when making its decision as to whether or not to participate in the joint working initiative with the DWP:

Pros	Cons
<p>Access to authorised officer powers to gain access to bank accounts and other relevant information.</p> <p>Potential to free up an officer's time when conducting interviews under caution as the joint working model has a joint interview under caution process.</p>	<p>There is an expectation that criminal action will be taken on CTRS cases which would have an impact on resources with limited financial return.</p> <p>It is intended that the work will be absorbed within the existing Corporate Fraud team. The remit of the Corporate Fraud team within Inverclyde Council is wider than CTRS investigations which would have an adverse impact on the delivery of a risk-based Annual Internal Audit Plan, particularly the proactive work on wider corporate fraud areas. The audit plan would need to be adjusted to reflect the fact that resource would be diverted to Joint Working cases with the DWP.</p> <p>Capacity issues where only one member of staff may be able to undertake interviews under caution due to DWP strict criteria for competency.</p> <p>Currently where the DWP identify an overpayment of housing benefit for example this will eventually filter through to us via ATLAS and we can adjust the CTR at that point without any joint working.</p>

7.0 IMPLICATIONS

7.1 Finance

There are no direct financial implications arising from this report as it is expected that any additional work arising from the Joint Working of CTRS cases will be absorbed at no additional costs. However, this may result in additional income to the Council where a successful outcome is achieved.

7.2 Legal

There are no direct legal implications arising from this report. There is an expectation that criminal fraud action will be taken on CTRS which will have resource implications.

7.3 Human Resources

There are no direct HR implications arising from this report.

7.4 Equalities

There are no direct equalities implications arising from this report.

7.5 Repopulation

There are no direct repopulation implications arising from this report.

8.0 CONSULTATIONS

8.1 The CMT has been consulted on the content of this report.

9.0 LIST OF BACKGROUND PAPERS

9.1 DWP invitation letter 13 October 2017.

Enquiries to: Gerard Malone
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Our Ref: GM/AI
Your Ref:
Date: 2 November 2017

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Dear Ms Bradshaw

Fraud Initiative

I thank you for your letter of 13 October 2017 addressed to the Leader of the Council.

The Council welcomes your invitation to express interest in your proposed joint Criminal Fraud Investigations relative to the Council Tax Reduction Scheme and Social Security Benefit Fraud.

Although your proposals are noted with interest, especially with regard to the operational outcomes from the pilots, the Council cannot at this stage commit an expression of interest for further development. The reason for this is the Council has itself set up a Corporate Fraud Team in 2016 and the focus of this team is to undertake proactive risk based reviews and to oversee the National Fraud Initiative and to ensure that outcomes are achieved and investigated in respect of any corporate fraud referrals or whistleblowing complaints. The remit of the Corporate Fraud Team within the Council is wider than the CTRS investigations and senior officers are concerned there may be an adverse impact on the delivery of the Council's approved risk-based annual internal audit plan, particularly in the proactive work on wider corporate fraud areas, if resources were to be diverted at this time to support your proposals. The issues affecting capacity will, however, be reviewed in the light of further developments and I confirm that officers will be keen to have a dialogue with you in the course of the next 12 months.

I am requested to ensure that there is an opportunity for our joint review of your proposals in 12 months so that the Council may consider the benefits of developing these areas of joint working.

I trust you understand the Council's present position. I welcome any comments from you and I confirm that our Chief Internal Auditor (Ms Andi Priestman, email: andi.priestman@inverclyde.gov.uk, telephone 01475 712251) will be liaising with you in the course of the next 12 months, if that is satisfactory to you in relation to these developing outcomes.

Please contact me at any time.



Head of Legal & Property Services





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for Work &
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Date

13 October 2017

Dear Councillor Stephen McCabe,

Cc – Aubrey Fawcett, Chief Executive

I am writing to encourage your council to sign up to a joint counter fraud initiative with the Department for Work and Pensions' (DWP) local fraud investigators, which after a successful pilot stage, we propose rolling out throughout local government.

DWP local fraud teams, working together with West Dunbartonshire Council's fraud team, robustly tested joint criminal fraud investigations of the Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. In addition, DWP and councils can also, under certain circumstances, undertake joint criminal Housing Tenancy fraud investigations.

DWP's Joint Working project team continues to develop the principles of including other types of local authority payments within joint criminal fraud investigations. Work is underway to establish the extent of data sharing and disclosure that is allowed under existing legislation in order to expand the scope further. We are especially interested to hear which elements of this work might best serve councils in future.

At this stage, whilst we are only seeking expressions of interest from councils, we are keen to encourage as many of you as possible to take up this opportunity, to work with DWP so that we can fight local fraud and corruption together.

The Joint Working pilot has shown that cases are completed more quickly, have a greater likelihood of obtaining a positive outcome and the overall value of fraud and error found is higher. A summary of the benefits of participation and the estimated savings are attached to this letter.

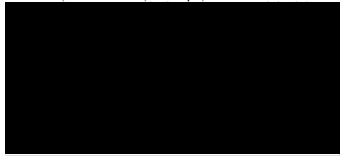
Once signed up to the approach, your council will be able to choose which individual cases to participate in as we recognise that not every case will be suitable for joint criminal investigation. We'd be grateful if you could respond letting us know if you will become a partner in this work by **6 November 2017** to the email address

FRAUDERRORANDDEBTPROGRAMME.JWG@DWP.GSI.GOV.UK providing the name and contact details of a suitable contact in your council.

Wider roll out of this initiative can only continue if enough local authorities sign up, and the resulting bid for further funding is successful.

The project team will be happy to answer any questions you might wish to ask via email or alternatively, further information about the Joint Working approach, the background, and the testing of the approach can be found by registering on the Knowledge Hub at <https://khub.net> and using the sign up button. Further details are contained within the annex.

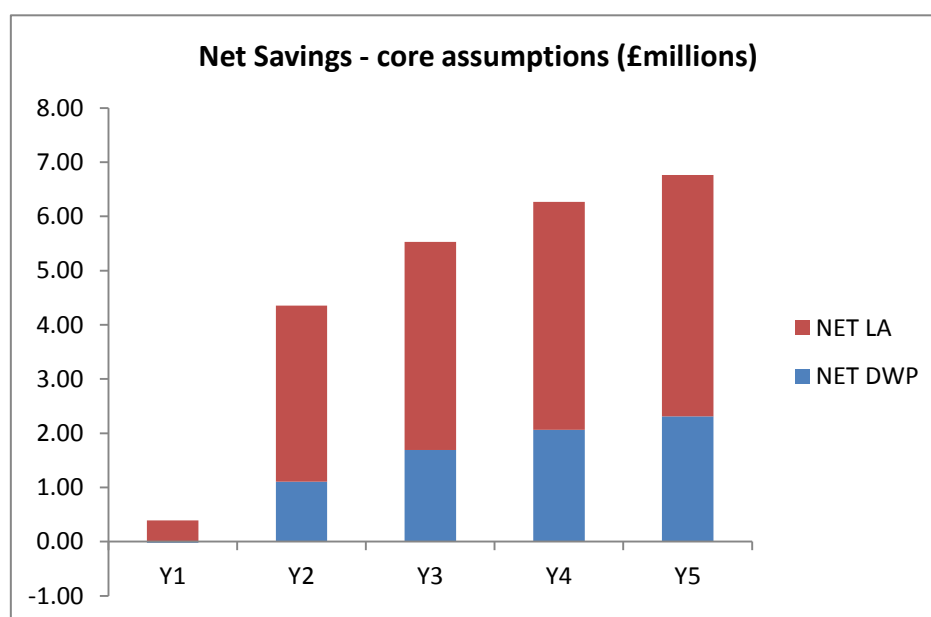
Yours sincerely



JOANNE BRADSHAW

SAVINGS OUTCOMES

A steady state savings model indicates the following potential annual savings. This is intended as an illustration only. The model only relates to CTRS fraud - the absolute minimum of savings which can be achieved. The scope of rollout will also include Housing Tenancy Fraud and future savings models will also include estimates of those additional savings should there be sufficient evidence to do so.



Savings are realised from the removal of duplicate activity, and from both parties becoming aware of additional criminal fraud that they did not previously know about. Councils benefit from all of the LA savings, none of these monies are recycled to DWP, DCLG or Central Government.

Non-financial benefits such as improved engagement have resulted in:

- The rationale for cross government counter fraud joint working is supported by both DWP and the participating LAs.
- Improving relationships enables better engagement, case conferencing and outcomes.
- More effective referrals result in the identified and retention of more cases for criminal investigation; with fewer routed for non – criminal ‘compliance’ work.
- An improved ability to identify cases unsuitable for criminal investigation from the outset preventing nugatory work.
- Improved speed of gathering evidence.
- A supportive relationship between Fraud Investigators has proved invaluable at Interviews under Caution.
- The customer journey is simplified and consistent.

Volumes are estimated, but based on operational outcomes from the pilot areas operating Joint Working since Nov 2015. The minimum estimated savings are now in the region of £14.25 million, averaging at £75k per authority that participates over 4 years. Under post implementation ‘steady state’ savings per average LA are in the

region of £23,400 per annum. If additional cases and/or other types of LA frauds were included the savings would be much higher.

Key Assumptions used in savings modelling

- LAs that have criminal counter fraud measures in place are usually self-financing, and should be able to absorb Joint Working CTRS cases at no additional cost.
- LA criminal fraud action will be taken on CTRS.
- Sensitivity analysis has been applied to the test outcomes as there is an inherent desire to ensure the test is successful.
- LA fraud investigation procedures and costs estimates per activity are the same as DWP Fraud & Error Service (FES).
- c190 LAs working with FES to create 21.5k JW cases per annum (minimum 5-15 cases per month on average depending on relative size of LA).

*More information about the Pilots can be found on the Knowledge Hub by registering at <https://khub.net> and using the sign up button, using your business e-mail address as your user name. Once registered, please click on the “Groups” icon on the top line and then click on ‘All Groups’. Insert the name of our group ‘**LA and DWP Joint Working Fraud Investigation**’ into the search engine. Click on the ‘Request to join’ icon. You will be notified once your request has been accepted.*