

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT:	SINGLE FRAUD INVESTIGATION SERVICE
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEPHEN FOULKES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 Currently benefits fraud prevention and detection is undertaken by Local Authorities for Housing & Council Tax Benefits along with the Department for Work and Pensions (DWP) and HMRC. This report details the current situation, the Department for Work and Pensions proposals to better harmonise this work from 2013 and recommends that Wirral supports the favoured DWP option of retaining the Council Fraud staff working directly in the Council but adhering to the Single Fraud Investigation Service proposed powers, policies, processes and priorities. Cabinet on 13 October 2011 agreed this recommendation.

2.0 RECOMMENDATION

2.1. That Members support the option that will see Local Authority staff remain employed by each Local Authority and operate under the Single Fraud Investigation Service powers, policies, processes and priorities.

3.0 REASON FOR RECOMMENDATION

3.1 To make Members aware of the proposed changes, the options available and the reasons for the favoured alternative as being the best for local benefits fraud work and for overall efficiency in supporting corporate anti fraud work.

4.0 BACKGROUND AND KEY ISSUES

4.1 At Wirral, Housing Benefits & Council Tax Benefits Fraud is undertaken by a team of investigators based in the Benefits Section with their focus on local Housing and Council Tax Benefit frauds. They work closely with colleagues in the Department for Work and Pensions given the many linkages in benefits paid and the crossover of fraudulent activity. They also work with national fraud and investigation agencies including the Police and the National Anti Fraud Network Initiative. The latter links many bodies together to allow improved and co-ordinated anti fraud work. Reports of the fraud work are presented to the Council Excellence Overview and Scrutiny Committee as part of the regular report on Revenues Benefits and Income.

- 4.2. The Government strategy for tackling welfare fraud and error was published in October 2010 and sets out a commitment to create a Single Fraud Investigation Service (SFIS) to investigate Benefit and Tax Credit fraud. This commitment was to be achieved by bringing together investigation staff from Local Authorities (LA), Department for Work and Pensions (DWP) and Her Majesties Revenues and Customs (HMRC). Since October 2010 the DWP has engaged with LA representatives along with Benefit and Tax Credit fraud practitioners to understand the challenges involved with designing a single service. The recent DWP led engagement exercise and its responses will inform further work and the DWP will continue to consult on proposals once they are more fully formed.
 - 4.3. A key concern and driver from LAs has been the need for a clear direction regarding the creation of SFIS by autumn 2011 to inform the financial and planning rounds along with the clear staffing issues and ongoing operational fraud work requirements that local authorities have. The proposals have had to take account of the wider LA fraud strategy being developed in conjunction with the Department for Communities and Local Government (DCLG) and the National Fraud Authority, and LA capacity to deal with other fraud.
 - 4.4. This is also linked to the Government announcement that it will localise support for Council Tax from April 2013 (Council Tax Rebate). In August 2011 DCLG published its consultation, Localising Support for Council Tax in England, which set out proposals on key elements of a framework for local support for Council Tax, and is seeking views on all aspects of the proposed approach, including the investigation of fraud. The Wirral response was agreed by Cabinet on 22 September 2011.
 - 4.4. The current fraud investigation arrangements mirror the existing split in welfare provision with local authority investigators covering Housing and Council Tax Benefits fraud, DWP investigators covering DWP administered benefits and HMRC responsible for investigating Tax Credits fraud. The split between DWP and local authorities has largely been in place for 30 years and specialisms and experience in dealing with specific types of fraud have developed. While this has resulted in some variations in policy, practice and operational responsiveness local authorities liaise and work closely with the DWP.
 - 4.5. Due to the overlap in the customer base across these benefits and credits, fraud affecting one benefit or credit can also affect those administered by the other parties. This can then require duplication of investigation resources in order to tackle all such frauds simultaneously.
 - 4.6. Measures in the Welfare Reform Bill represent significant changes to the welfare system. The proposed creation of a Universal Credit to combine and replace several benefits and credits for people of working age has provided the opportunity to look at welfare benefit fraud investigation and how to address inefficiencies in the current arrangements.
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- 4.7 The proposal is that in tandem with Universal Credit starting in 2013 the Government plans to introduce a new Single Fraud Investigation Service for all welfare fraud to maximise efficiency and consistency. The proposal takes into account the gradual shift to Universal Credit through to 2017 although a clearer understanding of the service is expected to be available by 2015.
- 4.8. The DWP has worked with key stakeholders over the last few months in the Security Operation Group and the Joint Local Authority Association and DWP Fraud and Error Steering Group, as well as engaging directly with LA benefit fraud investigation through conferences in England, Scotland and Wales. Having listened to the representations and concerns from Local Authorities and other stakeholders with regard to SFIS and in developing the options the DWP has sought to recognise and address those concerns.
- 4.9. DWP has identified four options for LA staff joining SFIS. The first two relate to LA staff remaining LA employees, while the second two relate to LA staff becoming employees of DWP.

Option 1. LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option would allow LAs the flexibility to redeploy resources to meet other LA priorities if required.

Option 2. LA staff remain employed by LAs and remain situated in LAs but are seconded to the DWP. This option means all LA investigation staff are under formal secondment to DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option would allow LAs a limited degree of flexibility to recall and redeploy resources to meet other LA priorities, under the terms of a secondment agreement.

Option 3. LA staff become DWP employees but deliver investigation locally from LA offices. This option means all LA investigation staff become DWP employees and operate under SFIS powers, policies, processes and priorities but do not move physically. This brings LA investigation staff into SFIS under both management and procedural changes.

Option 4. LA staff become part of the DWP working within DWP offices as DWP employees and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes.

4.10 The key factors taken in to account are summarised below for each alternative:

Option 1: LA staff remain employed by LAs, operating under SFIS powers, policies, processes and priorities.

All LA investigators are employed exclusively on benefit fraud and remain LA employees based in LA offices operating under SFIS powers, policies, processes and priorities. Under the Welfare Reform Bill SFIS investigators will have wider investigative powers. The investigation and prosecution policy will be the same for all welfare benefit fraud and SFIS operational processes will be agreed by 2013. This option brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option allows LAs flexibility to redeploy resource to meet LA priorities.

Legality – This utilises existing powers for investigation but work needs to be done on the Tax Credit element (HMRC) of investigations.

Cost / Financial implication – initial estimates are that costs would be lower but financial implications need to be fully evaluated after responses are considered alongside other changes made in local government finance

Viability – this option is achievable by 2013 as the status quo remains in place until firmer decisions regarding Universal Credit are taken. It works in line with the localism agenda, supporting flexibility for LAs to deal with Council Tax and other LA fraud, and allows local knowledge to remain in the hands of the investigators.

People Impact – terms and conditions, locations and skills remain static at least until the organisation of Universal Credit is decided.

A key consideration for LAs, over and above the stability gained by maintaining the status quo, is that LAs retain the qualified staff that will be able to investigate Tax Credit fraud once the SFIS powers are implemented and there should also be flexibility to redeploy resources to other LA priorities.

Option 2: LA staff remain in LA estate employed by LA and are formally seconded to SFIS.

This option means all LA investigators employed full time on housing benefit fraud remain LA employees based in LA offices under a formal secondment to the DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option should allow LAs a degree of flexibility to recall and redeploy resource to meet other LA priorities, under the terms of the secondment agreement.

Legality – This utilises seconded staff who take on the same powers as current DWP staff. DWP staff have existing powers for investigation which have been enhanced to cover HMRC Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – Secondment arrangements may be difficult to implement and sustain over long periods.

People Impact – staff remain with the same employer but work to DWP policies and procedures. This has the capacity to cause tensions within the workplace and further long term secondments may be difficult to maintain and may not offer staff security.

Fraud & Error Strategic Fit – although this fits with the fraud and error strategy, it only does so with potentially time limited secondment arrangements.

Other key things to consider for this option are: It enables central control of operations and outputs but allows the delivery of a local investigation service.

Key considerations for LAs are that the management and measurement of work and outputs, and of staff handling and responsibility would need to be agreed and implemented. It would not necessarily be as easy for SFIS staff in LA bases to investigate other LA fraud as staff have been seconded to DWP, although there is the flexibility for LAs to recall and redeploy staff to other LA duties under the terms of a secondment agreement.

The other considerations that Options 1 and 2 bring for the Authority are that if fraud work decreases then the Authority could face any consequential redeployment or redundancy issues which under a transfer to DWP would fall to the DWP to resolve. Under both of these options I would not expect the Authority to undertake prosecution of Benefits Fraud as the Council would utilise regional DWP Solicitors for all court actions.

Option 3: LA staff become DWP employees but deliver investigation locally from the LA Offices.

This option supports investigations to be directed by the SFIS powers, policies, processes and priorities. It also has the advantage of allowing LA investigators employed full time on housing benefit fraud to remain in their existing bases and link more closely with other parts of the local authority to combat other fraud but as DWP employees.

Legality –brings all staff together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – the work required by DWP to transfer LA staff to DWP is challenging and DWP concedes it may not be achievable by 2013.

People Impact – These changes will lead to a great deal of uncertainty, with work required to align salaries, allowances and management activity.

Fraud & Error Strategic Fit – it mirrors the requirements of the strategy and allows a single management structure with common IT and investigation processes. However as LA and other SFIS teams are not co-located there is the risk of a loss of efficiency.

Key considerations for LA include the potential cost of continued office hosting and the loss of trained LA staff to the DWP no longer easily able to consider other LA fraud.

Option 4: LA staff become part of the DWP working within DWP offices as DWP employees.

This option aligns people, processes, IT systems and office bases. It can enable flexibility and prioritisation by type of fraud, geographical location and areas of greatest loss.

Legality – This option has all staff co-located together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – This option is unlikely to meet delivery of SFIS by 2013, owing to the HR and office estate work that would be required.

People Impact – Salaries, pensions, local allowances, vehicles, equipment and moving location will all be a considerable source of concern and uncertainty for the staff involved along with additional cost.

Fraud & Error Strategic Fit – This does mirror the requirements of the strategy and allows a single management structure with common IT and investigation processes.

Other key things to consider are: that it provides swift resolution and offers a degree of certainty of joining SFIS for investigation staff. There would be issues around the accountabilities for Section 151 officers and the option is not flexible enough to respond to the changing environment. From a DWP viewpoint this is the costliest and riskiest option.

Key considerations for LAs are the risks around Section 151 officer responsibilities, the loss of key trained staff, the impact on the localism agenda and the consideration of other LA fraud investigation

- 4.11 Options 3 and 4 highlight that the DWP sees these as high risk or unachievable options in the available timescale. This is starkly set against the DWP view with regard to the expectations on local authorities in respect of the other imminent welfare changes. This proposal is far less complex to introduce in administrative and IT changes for staff and customers than the Universal Credit proposals and the proposals to “localise” Council Tax Rebate.
 - 4.12 In its consultation paper the DWP recognises the Government commitment to decentralising power away from Whitehall. At the same time, the Government is also committed to delivering significant efficiency savings where central co-ordination can demonstrably deliver them and where centrally co-ordinated action can increase transparency and achieve the largest economies of scale. Whilst the DWP believes that SFIS will benefit from central co-ordination, it is accepting that it should also offer sufficient flexibility to allow those at the front line to tailor their services to local circumstances in order to realise further efficiencies.
 - 4.13 The DWP initial analysis of the options has concluded that Option 1 is the most practical and attainable from a DWP perspective and allows the most flexibility of delivery at least until 2015.
 - 4.14 It is also noteworthy that Option 1 as proposed has the potential to be a workable strategy for the delivery of Universal Credit with the DWP administering personal based benefits and credits with the local authority continuing to administer housing related benefits under the new Universal Credit rules, after personal awards are made. This would maximise local experience and significantly limit massive IT development which is fraught with issues for the Government. If this fraud model is shown to work positively then it will assist local authorities in showing how such an alternate delivery model to a wholly centralised administration of Universal Credit can be a successful and efficient localised way forward.
 - 4.15 DWP is seeking LA input during October 2011 to inform the final preferred option. DWP will then provide a summary response of the feedback received. The decision on which option is chosen will be made by the DWP and is scheduled for November 2011.
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5.0. RELEVANT RISKS

- 5.1. By adopting the best option this should mitigate as much as possible the risk of fraud and ensure the anti fraud culture remains in place locally as well as nationally. The risk of a loss of local anti-fraud work and the Council not being able to direct fraud resources is minimised by the adoption of the DWP proposed option.

6.0. OTHER OPTIONS CONSIDERED

- 6.1. The four alternatives outlined are the only options for consideration.

7.0. CONSULTATION

- 7.1. Consultation is being undertaken by the DWP and local authorities are co-ordinating their response via the professional body, CIPFA.

8.0. RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1. **FINANCIAL:** With regard to the proposed way forward (Option 1) initial estimates are that overall costs would be lower than the other options, but other implications will need to be fully evaluated after consideration of responses, and impacts considered alongside other changes being made in local government finance.
- 8.2. **IT:** LA staff would still access the existing IT systems of both the LA and DWP. Further integration of current IT systems could be complex and costly with further evaluation required on new systems or linking existing systems.
- 8.3. **STAFFING:** Under Option 1 staff remain in LA employment but this would need to be subject to review once the organisation of Universal Credit is determined. However, until then, the option provides a degree of stability, minimises disruption and maximises effectiveness.
- 8.4. **ASSETS:** Option 1 would see no change with LA staff based in LA offices as now and this would be the case at least until the way forward under Universal Credit is further determined in 2015.

9.0. LEGAL IMPLICATIONS

- 9.1. There are none arising directly from this report.

10.0. EQUALITIES IMPLICATIONS

- 10.1. An Equality Impact Assessment (EIA) is not required specifically as part of this option appraisal although EIA's are in place for the current working procedures in the Benefits Section.
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11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 None.

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13.0 REPORT AUTHOR: Malcolm Flanagan

Head of Revenues, Benefits and Customer Services

Telephone: 666 3260

Email: Malcolmflanagan@wirral.gov.uk

14 Appendices

14.1 None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	13 October 2011