

Agenda Item No: 7.4

Report No: 197/07

Report Title: Shared Services : Housing Benefit Fraud Investigations

Report To: Cabinet

Date: 17 October 2007

Lead Councillor: Councillor Jon Freeman

Ward(s) Affected: All

Report By: Director of Finance and Community Services

Contact Officer(s): John Magness

Purpose of Report:

The business case for a Housing Benefit Fraud Investigation Shared Service has been completed and a decision is required whether to proceed.

Officers Recommendation(s):

- 1 To consider participation in an East Sussex Housing Benefit Fraud Investigation Shared Service subject to there being a sound business case to proceed with an East Sussex Revenues Shared Service.
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Reasons for Recommendations

- 1 The business case for a stand alone shared housing benefit investigation service is not financially advantageous to the Council and is unlikely to lead to a significant improvement in performance. It would however make sense to participate if a sound business case arises from the current evaluation of an East Sussex Revenues Shared Service for all taxation and housing benefits functions and the fraud service becomes part of that larger project.
- 2 **National Background**
 - 2.1 In January 2007 the Department for Work and Pensions (DWP) produced a strategy document "Getting Welfare Right: Tackling Error in the Benefits System". It contained detailed plans for achieving this in Housing Benefit (HB) and Council Tax Benefit (CTB). It estimates that for the period April 2005 to March 2006, the annual loss from fraud nationally is £0.8billion.
 - 2.2 The DWP sets national performance standards and the Audit Commission sets national performance indicators. We aspire to reach the higher levels of performance at the lowest level of cost.

- 2.3 Fraudsters do not confine their activities to one local authority area and it is essential to share information between authorities and the DWP in order to target such people who deprive the public purse of scarce resources.

3 Background at Lewes

- 3.1 Targeting housing benefit fraudsters was identified as high priority by residents during the last resident's survey.

- 3.2 The main Performance Indicators that relate directly to the prevention and detection of Fraud are as follows:

Measure	Description	Target 07/08	Actual 06/07	Forecast 07/08	National Target (Excellent)
PM11	%age of data HBMS data Matches resolved within 2 months	90%	82%	96%	> 90%
PM13	Number of Fraud Referrals per 1,000 caseload	50	48	44	n/a
PM14 (also BV76c)	The number of fraud investigations per 1,000 caseload.	0.17	0.15	0.17	n/a
PM15	Number of Fraud Investigations closed Per 1,000 caseload	40	36	34	n/a
PM16 (also BV76d)	The number of prosecutions/sanctions per 1,000 caseload.	3.7	3.5	4.7	4.3

Note: HBMS is the Housing Benefit Matching Service

In terms of an overall weighted performance we fully expect to obtain the DWP 'excellent' ranking this year (2007/2008).

As with the volume of referrals the number of investigations closed is likely to be lower than last year. The main reason for this being that to date this year, more cases have resulted in a Fraud proven outcome and a subsequent sanction than in previous years. This is reflected in the following table:

	Fraud proven	Sanctions	Prosecutions	
2005/06	46	33	3	
2006/07	43	26	2	
2007/08 (to date)	34	19	6 in progress	

The figures tell us that the quality of referral and investigation is improving, an indication that the new team is working well together, following a period of vacancies arising from previous post holders retiring.

To date this year 9 cases have been referred for prosecution, 6 are in progress and 3 will face sanctions.

4 Introduction to the East Sussex shared service projects

- 4.1** Partnership working, in the form of shared services and joint working is high on the national agenda at the current time.
- 4.2** The four most relevant reasons for evaluating shared services is to secure:
- (i) improved customer service;
 - (ii) improved performance;
 - (iii) increased resilience;
 - (iv) potential for on-going revenue savings.
- 4.3** The challenge of developing more extensive partnerships is considerable following the Gershon Review and it is an assumption behind the 3% per annum efficiency target for local government expected from the Government's Comprehensive Spending Review 2007.
- 4.4** By exploring and evaluating multi district partnerships the East Sussex authorities are demonstrating their willingness to meet the efficiency challenge, develop local capacity and knowledge and implement solutions where there is a sound business case to do so.
- 4.5** The Director of Finance and Community Services represents the Council on the East Sussex Joint Improvement Project (ESJIP) Board which has been tasked by the Chief Executives and Leaders of councils in East Sussex to evaluate two business cases for shared services within East Sussex. The first is for a Benefit Fraud Investigation Shared Service and the second is for a Joint Revenues Shared Service (local taxation and housing benefits).
- 4.6** The Fraud Investigation business case is complete and that for the Revenues Service is nearing completion.

5 East Sussex Benefit Fraud Partnership

- 5.1** All five districts and boroughs in East Sussex have displayed an interest in exploring new ways of undertaking their benefit fraud investigation functions. A business case has been prepared and evaluated. This exercise has been funded by a grant from the Government Office for the South East, via Eastbourne Borough Council which is the Accountable Body.
- 5.2** Appendix 1 compares the business case against the evaluation criteria proposed in the preceding report.
- 5.3** The assessment for Lewes District Council is that the financial benefits are essentially break-even at best and the potential to improve performance is marginal.
- 5.4** From the outset the Director of Finance and Community Services shared his view with the JIP Board that should there be a sound business case

for the parallel project (East Sussex Revenues Shared Service), the Fraud service would then automatically be part of that package.

- 5.5 The remaining four East Sussex authorities, Eastbourne, Hastings, Rother and Wealden are keen to go ahead with the Housing Benefit Fraud Investigation Shared Service as phase 1 and will be making appropriate recommendations to their respective Cabinets.
- 5.6 The governance model for this partnership is one Lead Authority having Service Level Agreements with the other three. All four authorities agree that Eastbourne BC should be the Lead Authority. Performance against the Service Level Agreements will be monitored on a regular basis, at officer level.
- 5.7 The Lead Authority will be obligated to provide specified services with defined performance targets set to effect best practice. The other authorities will be obligated to provide specified activities to the Lead Authority.

6 Staffing Issues

- 6.1 The Board has been keen to involve employee representatives in this process from an early stage. The consultation process has seen consultation with affected staff and their representatives at local level. Collective meetings have also taken place to promote contact and share concerns and ideas between the teams from interested Councils. Regional Unison and local employee representatives have met on several occasions with ESJIP board members to discuss issues and look at proposals.
- 6.2 At Lewes we have 2 Investigation Officers covering 1.2 full time equivalent (fte) posts. They are supported by 1fte Investigations Support Officer. The Revenues Support Manager spends 0.2 fte of available time to manage these 3 post holders and to undertake specific counter fraud activity. In addition the Divisional Revenues Manager sits on sanctions panels and issues cautions.
- 6.3 Of the above time only 2.2 fte's (Investigation Officers and their Support Officer) would transfer to a shared service. The remaining activities would stay with the Council and still need to be covered. The nature of the Revenue Support Manager 's functions would change, but the time needed would stay the same.
- 6.4 One issue that would add to the remaining costs of the Council is dealing with data matching from the National Fraud Initiative and the Housing Benefit Matching Service. This activity is overseen by the Support Officer of whose time 0.4fteis spent on these functions. We would need to employ a part time person to undertake this work. The value of this part time post would be £6,540.
- 6.5 The section is small and therefore potentially less resilient than a larger operation. However, Lewes is fortunate in that a number of staff and managers are trained in counter fraud operations and they can be redeployed when vacancies arise.

7 Performance issues

7.1 The main key target arising from the shared service:

7.1.1 To achieve ≥ 4.3 prosecutions/sanctions per thousand case load for all councils by 31 March 2011

7.2 Lewes is likely to achieve the excellent standard of 4.3 prosecutions per thousand caseload during 2007/2008.

8 Financial Appraisal

8.1 The cost of developing the proposal has been £94,800. This was financed by a Government Grant of £75,810 and contributions from the six East Sussex authorities of £18,990. Cabinet approved our contribution on 23 November 2006.

8.2 The Business Case Financial Summary is shown in Appendix 2.

8.3 The period to pay back the set up costs is 2 years and 3 months.

8.4 In reality a large proportion of the set up costs have been paid for by the government grant and contributions referred to above and the payback period taking these into account would be less than 2 years and 3 months.

8.5 Annual savings are modeled at £71,210 of which Lewes' share would be £10,180. Offset against this sum would be the cost of £6,540 for a part time post as referred to in 6.4. The net level of saving is not significant and could quite easily be negated by unforeseen revenue costs not catered for in the model. It is prudent to assume that the shared service would at best break even for the Council's involvement.

8.6 The net costs/savings have been shared pro-rata to the DWP's annual Benefits Administration Subsidy. The ratio of subsidy between councils may change in future and affect the figures shown in the table. Mechanisms could however be designed to mitigate the uncertainty by having (for example), a minimum fixed level of saving for each Council and the balance being shared/(deducted if net costs rise) in the relevant ratio.

9 Conclusion

9.1 Should there be an East Sussex Revenues Shared Service it is inevitable that the Fraud function would be part of that arrangement.

9.2 Establishing a Housing Benefit Fraud Investigation Shared Service at this juncture could mean further changes to that service if the Revenues Shared Service goes ahead.

9.3 If the Revenues Shared Service did not proceed the financial savings for Lewes' participation in the Housing Benefit Fraud Investigation Shared Service project are likely to be break even at best.

- 9.4 Lewes District Council should align its policies, systems and procedures with those of the shared service so that it can merge at the appropriate time in the future.

Environmental Implications

- 10 I have completed the Environmental Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

10.1 Risk

Failure to secure value for money for local taxpayers and failing to provide the best possible service to taxpayers.

Mitigation

Active participation in the feasibility study for a shared Revenues service has enabled the Council to determine that at this stage the proposal is unlikely to produce a more efficient service to taxpayers at a lower cost.

10.2 Risk

Having a small fraud section can mean less resilience and lower performance when vacancies arise.

Mitigation

We have addressed this in the past by quickly advertising for vacant posts and engaging temporary cover or redeploying staff resources within the Revenues Division. Intensive training for new staff enables them to become effective at the earliest opportunity. We have always been able to recruit to vacancies. Fraud investigation posts are attractive opportunities to retiring members of the police service.

Background Papers

- 10.3 DWP – Getting welfare right : Tackling error in the benefit system.
www.dwp.gov.uk/publications/dwp/2007/error_strategy.asp

- 10.4 East Sussex Fraud Partnership – Business case consultation document
May 2007.

Appendices

- 11 Appendix 1 : Comparison against evaluation criteria.

Appendix 2 : Business Case Financial Summary

Guidelines for assessing participation Costs and Benefits

The Council will be more likely to engage in a shared service arrangement if the following favourable conditions exist:

- (a) There is reliable numerical evidence that the shared service arrangement will bring benefit to the public through improved accessibility, a higher level of performance and lower cost.

The business case is marginal in financial terms. Lewes' performance could marginally improve over time.

- (b) The shared service arrangement will provide better working conditions and prospects for the staff who provide the service.

From discussions with the Fraud staff at Lewes this would not be the case for all staff. One member of staff, recently trained and now effective, would leave due to a longer travel distance from home to work. The staff had reservations about the methods of proposed specialisation, although in many ways they mirrored Lewes' current practices.

- (c) There is reliable numerical evidence that organisations of a similar size to the shared service arrangement are delivering the service at a higher level of performance and lower cost.

This would be a pilot project and therefore the first, or one of the first in this field. There are no similar organisations to compare costs against.

- (d) The Council is unable to provide the investment that the service needs to improve its level of performance.

Not Applicable

- (e) The shared service arrangement would enable more efficient working methods to be adopted and specialist staff to be employed.

This would be the case. There would only be one set of policies and procedures for the new organisation. The successful working method is based upon that currently adopted by Eastbourne and Lewes councils. A joint service may enable one-off targeted campaigns to be organised. It would open up opportunities to counter cross boundary fraudsters.

- (f) Government Regulations allow that the organisation that delivers the shared service arrangement can be measured for performance, instead of each of the participating councils.

DWP representatives were asked if current regulations were being changed. There are no immediate plans to do so. It would seem that the machinery of Government is not keeping up with its plans for an expansion in shared services. This would mean duplication creeping into the system. In particular each council must still submit separate benefit subsidy claims and performance returns. The duplication would only be marginal and not of undue concern.

- (g) There is evidence that similar arrangements are already in place and have been proved to be effective.

No evidence exists for this shared service model. The proposed methods of working are proven.

- (h) The payback period for recouping investment is less than 4 years.

Yes : the payback period is 2 years and 3 months.

The Council will be less likely to engage in a shared service arrangement if the following less favourable conditions exist:

- (a) The potential for higher performance and lower cost is marginal compared to the cost of existing arrangements.

The proposal is very marginal.

- (b) The shared service arrangement would involve fewer than 5 staff.

Our service comprises 2.2 affected staff

- (c) The impact of delivering the service through the shared service arrangement would adversely affect the capacity of the Council to provide other services up to the same standard.

Marginally, because we would have to develop a client function and reorganise resources to manage retained functions such as the National Fraud Initiative with the Audit Commission.

- (d) The Council's economy of scale or strategic ability to provide other services would be adversely affected as a consequence of implementing the shared service arrangement.

No.

- (e) The shared service arrangement will not provide any material advantage in quality, accessibility or accountability.

Correct. If anything the accountability will be less direct than the current arrangements.

Business Case Financial Summary

	Year 1	Year 2	Year 3	Year 4
	£	£	£	£
Cost of existing operations	461,080	461,080	461,080	461,080
Less:				
Cost of new operation	461,080	389,870	389,870	389,870
Set up cost	159,350			
Net (cost) / saving	(159,350)	71,210	71,210	71,210

Allocation of the (cost) / saving

	%	£	£	£	£
Eastbourne	22.7	(36,170)	16,170	16,170	16,170
Hastings	29.2	(46,530)	20,790	20,790	20,790
Lewes	14.3	(22,790)	10,180	10,180	10,180
Rother	18.3	(29,160)	13,030	13,030	13,030
Weaden	15.5	(24,700)	11,040	11,040	11,040
Total	100.0	(159,350)	71,210	71,210	71,210

Notes:

Payback period: 2 years 3 months.

Cost / savings are shared on the basis of the annual Housing Benefit Administration Grant.