

<b>Mayor and Cabinet</b>			
<b>Title</b>	Response to Public Accounts Select Committee on Audit Panel query	<b>Item No</b>	
<b>Contributors</b>	Head of Corporate Resources		
<b>Class</b>	Part 1	<b>Date</b>	28 June 2017

## **1. Purpose of paper:**

- 1.1 At its meeting on 15<sup>th</sup> March 2017, Public Accounts Select Committee referred the following recommendation to Mayor & Cabinet:

To advise Mayor and Cabinet of the following:

- The Committee has concerns about progress with centralisation of counter fraud activities from local government to the Department for Work and Pensions (DWP).
- The Committee recommends that Mayor and Cabinet raises queries about the progress and success the DWP has had to date with the performance of the single fraud investigation service.

## **2. Recommendation**

The Mayor is asked to:

- 2.1 approve the officer response to the referral by Public Account Select Committee on DWP work on housing benefit fraud, and
- 2.2 agree that this report should be forwarded to the Public Accounts Select Committee.

## **3. Background**

- 3.1 In April 2015 the statutory responsibility for the investigation of benefit fraud transferred from Lewisham Council to the Fraud and Error Service, Counter Fraud & Compliance Directorate of the Department for Work and Pensions (DWP).
- 3.2 The initial proposal for this transfer was announced in 2010 and prompted a gradual wind down in this area of work. There was no guarantee that the DWP would take all the local authority staff on so advantage was taken of natural staff rotation to minimise the Council's exit costs at the point of transfer. In 2010/11 the section of six staff achieved 181 sanctions with an overpayment value of £846,022. However, by 2014/15 the team had reduced

to three staff and achieved 55 sanctions with an overpayment value of £480,441.

#### **4. Changes since responsibility passed to the DWP**

- 4.1 Since the transfer of the service there have been considerable changes in the administration of benefits, not least the move towards Universal Credit (UC).
- 4.2 Additional data is made available on a regular basis to the Council's Housing Benefit team in the form of Automated Transfers to Local Authority Systems (ATLAS) and Real Time Information (RTI) income data from the HM Revenues and Customs (HMRC) which is used to recalculate benefit entitlement and help reduce the risk of certain types of fraud.
- 4.3 However, there are some other types of fraud that are unlikely to be identified by this data. For example; those involving income from the shadow economy and tenancies contrived to take advantage of Housing Benefit. It has not been possible to establish if the DWP are working to address these areas.

#### **5. Changes in Performance reporting**

- 5.1 It should be noted that when local authorities were still responsible for tackling benefit fraud they were required to submit certain performance figures on a quarterly basis. These included the number of staff and sanctions processed. There is no equivalent public information for the DWP Fraud teams by regional / local area.
- 5.2 However, a recent DWP report (May 2017) estimates at the national level that:
  - 5.1 "the rate of fraud overpayments on Housing Benefit increased between 2015/16 and 2016/17 from 6.0% to 6.4%, the highest recorded rate. This amounts to a rise in monetary value from £1,460m to £1,490m".
  - 5.2 "The rate of fraud overpayments increased from 4.1% to 4.6%, the highest recorded rate, whilst the rate of claimant error overpayments decreased from 1.6% to 1.4%, the lowest recorded rate. The report states that "This continues the trend we observed last year, a rise in fraud alongside a fall in claimant error. This trend continues to be partially due to the tightening up of the evidence gathering process that took place after 2014/15. The rate of official error overpayments increased from 0.3% to 0.4%".
  - 5.3 The report further states that "Within the measured benefits we have changed the way that we categorise overpayments. This was a result of tightening up the evidence gathering process and subsequent clarification of errors as either claimant error fraud. This change may affect the overall level of total overpayments since its introduction in 2014/15 and is especially marked in Housing Benefit".

More detail from this report can be read at the following link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/614558/fraud-and-error-preliminary-estimates-2016-17.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614558/fraud-and-error-preliminary-estimates-2016-17.pdf)

- 5.4 The assessment above builds on the National Audit Office report of Nov 2016, commenting on the DWP accounts for 2015/16, which stated:
- 5.5 The Comptroller and Auditor General explained the reasons for his qualified opinion on the regularity of DWP's benefit expenditure in a report published with DWP's Annual Report and Accounts. The key points from this report are:
- Fraud and error is a significant problem in benefit expenditure. Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and DWP;
  - DWP estimates that overpayments due to fraud and error in 2015-16 were 1.8% of total forecast benefit expenditure (or £3.1 billion) and that total gross underpayments in 2015-16 were 1% of total forecast benefit expenditure (or £1.8 billion). The trend over time is shown in the chart;
  - the rates of overpayment and underpayment are lower for State Pension expenditure;
  - Universal Credit over- and under-payments due to fraud and error were measured for the first time for 2015-16. DWP is developing its methodology to assess and its strategy to address fraud and error in this benefit, as Universal Credit rolls out nationally; and
  - DWP has made some progress in tackling fraud and error. The building blocks are in place to better understand fraud and error and begin to consider what the lowest feasible level of fraud and error by benefit could be, and how to achieve that.

## **6. Conclusion**

- 6.1 It is clear that the DWP accepts that fraud in the benefits system remains a significant challenge and that some measures have been introduced to prevent and detect fraud. A lack of available data on actual fraud detected, as opposed to estimated fraud, at the local level prevents any reasonable comparison to the work as previously undertaken by local authorities. Even if this data was available, changes in the benefits system would prevent any meaningful evaluation when comparing current DWP work with former local authority work.