LONDON BOROUGH OF SUTTON

AUDIT COMMITTEE

THURSDAY, 16 JUNE 2011

7.30 pm at the

Civic Offices, St Nicholas Way, Sutton SM1 1EA

SECOND DISPATCH

To all members of Audit Committee:-

The following papers, which were not available for dispatch with the agenda, are attached. Please bring them with you to the meeting:-

7. TREASURY MANAGEMENT - ANNUAL REPORT 2010/11 (Pages 1 - 2)

Report of the Executive Head of Finance.

9. HOUSING BENEFITS INVESTIGATION ACTIVITY (Pages 3 - 12)

Report of the Executive Head of Business Services.

Niall Bolger
Chief Executive
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SM1 1EA

10 June 2011

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Copies of reports are available in large print on request

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Audit Committee 16th June 2011 -Treasury Management Annual Report 2010/11 (2nd Despatch)

APPENDIX B

		Original Indicator 2010/11 £000		Actual @ 31/3/11 £000
	PRUDENTIAL INDICATORS			
(1)	**Authorised Limit**			
	Borrowing	117,100		64,794
	Other Long Term Liabilities	2,300		2,936
		119,400		67,730
(2)	**Operational Boundary**			
	Borrowing	78,600		64,794
	Other Long Term Liabilities	2,300		2,936
		80,900		67,730
(3)	**Interest Rate Exposure**			
	Upper limit for fixed rate exposure	119,400		12,956
	Upper limit for variable rate exposure	29,800		15,300
(4)	**Upper limit on investments that go over a year.**	15,000		Nil
(5)	**Maturity Structure of Fixed Rate Borrowing**	Upper Limit	Lower Limit	
	Under 12 months	15%	0%	0.00%
	12 months – 24 months	15%	0%	0.00%
	24 months – 5 years	45%	0%	10.84%
	5 years – 10 years	75%	0%	7.89%
	10 years & above	100%	0%	81.28%
(6)	**Adoption of CIPFA Code of Practice**	Yes		Yes
	LOCAL INDICATORS			
(7)	**Temporary borrowing limit**	16,200		Nil
(8)	**Maturity Structure – not more than 15% of total debt maturing in any one year**			Complied

Audit Committee 16th June 2011 -Treasury Management Annual Report 2010/11 (2nd Despatch)

Notes to Appendix B

(1) Authorised Limit For External Debt. This sets the outer boundary of a Local Authority's borrowing. It should not be set so high that it would never, in any possible circumstances, be breached, but, it should not be set so low that it is brought into consideration during routine financial management.

(2) Operational Boundary. This represents an authority's most likely estimate of external debt and is intended to inform daily treasury management activity. It is based on our probable expectations rather than the outer boundary set by the Authorised Limit. It should not be regarded as overly significant if the operational boundary is occasionally breached due to cashflow variations. If it is regularly breached this would require investigation and action.

(3) Interest Rate Exposure. Interest rate risk management is integral to the Council's Treasury Management Strategy. Fixed rate borrowing contributes significantly to reducing the uncertainty surrounding future interest rate scenarios and forms the majority of the Council's external debt. It does, however, restrict flexibility and can result in authorities missing favourable market opportunities. Maintaining a proportion of debt through variable interest rates is considered good practice and provides a more balanced treasury management portfolio. Investments which are under one year in duration are treated as variable rate transactions which offset variable rate borrowing in risk terms.

(4) Upper Limit on Investments that go over a Year. The Treasury Management Strategy for 2010/11 set a limit of £15m of investments to be held for periods in excess of one year.

(5) Maturity Structure of Fixed Rate Borrowing. The Council's objective is to maintain a profile whereby the amount of fixed rate debt repayable is spread over time to ensure the Council is not exposed to re-borrow large sums in a single future year in which high interest rates may prevail. The indicators shown set ranges for the time periods specified in the Code.

(6) Adoption of the CIPFA Code of Practice for Treasury Management. Sutton has previously adopted the Code and the Council's Treasury Management Strategy accords with it.

(7) Temporary Borrowing Limit. The Prudential Code does not require the Council to set a limit on temporary borrowing but this forms part of the normal Treasury Management Strategy. It sets an upper boundary on the proportion of the Council's overall debt that is held as temporary loans. In accordance with the new definitions, it is based on the Operational Boundary. The Council's general strategy is to keep temporary borrowing to a minimum and only borrow short term if it is unavoidable.

(8) Maturity Structure. In addition to the Prudential Indicator (5) above Sutton has set an additional local target on ensuring that not more than 15% of the total portfolio matures in a single year.

London Borough of Sutton

Report of the Executive Head of Business Services

Audit Committee 16th June 2011

Housing Benefits Investigation Activity

Ward Location: Not Applicable

Area Served: Borough-Wide

Author(s) and Contact Phone Numbers:

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Executive Councillor
John Drage – Executive Member for Finance and Efficiency

Report

Summary
This report seeks to inform members about the Benefit Investigation Teams performance in 2010/11

Recommendations
I recommend the Committee
i) note the contents of the Benchmarking reports and performance
ii) note the qualities of the team and Council in the area of fraud prevention and detection
iii) note the improved performance, key initiatives and partnership working
iv) note the success of the 2009/10 National Fraud Initiative in relation to benefit fraud

1 Background

1.1 The Council has always understood and responded to the need to deter, prevent and investigate fraud. This is made clear in its member approved Counter Fraud Strategy, which is underpinned by the Benefit Fraud Prosecution Policy.

1.2 The Benefit Investigation team consists of the Security and Support Manager, four Investigation Officers and one clerical administrative officer.

1.3 The Security and Support Manager also manages the Development and Support Team which is responsible for the computer administration support (Revenues and Benefits processing System), quality checking, training and appeals. The Scanning Team are also now managed by the Security and Support Manager. The Security and Support Manager is responsible for the security, governance, integrity and quality of the data contained within the system.

1.4 To provide capacity and resilience and to create a self management approach to their caseloads, all Investigation Officers have received the Professionalism in Security (PinS) training to the Manager Standard (level 7).

1.5 Monthly reports are provided to the Executive Head of Business Services (Interim) on performance, work in process and good practice examples. Monthly meetings also take place between the Security and Support Manager and the Head of Internal Audit to discuss any issues, and to ensure consistent deterrent messages are being communicated across the Council.

1.6 The Investigation Team have procedures and policies covering all aspects of the work and to ensure that all cases are being investigated in accordance with the law.

1.7 The Team use a case management system to audit all actions taken by the Officers on all cases. The Executive Head of Business Services (interim) is also fully trained in Professionalism in Security (PinS) the recognised qualification used by all Investigators and the use of Regulation of Investigatory Powers Act 2000 (RIPA); further ensuring the Council makes lawful decisions when investigating Benefit Fraud.

1.8 Since April 2008 the number of Housing Benefit and Council Tax Benefit claims has risen by approximately 22% from 12,955 to 15,829.

2010-2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
No of Active claims	15604	15610	15629	15678	15645	15721	15754	15720	15742	15783	15826	15829
2009-2010	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
No of Active claims	14348	14367	14592	14762	15067	14966	15069	15153	15328	15292	15487	15533
2008/9	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
No of Active claims	12955	13032	13062	13114	13205	13245	13334	13434	13575	13800	13973	14138

1.9 From April 2013, Housing and Council Tax Benefit investigations will no longer be run by a Council Team. They will be merging with the DWP under the new Single Investigation Service (SIS). SIS will investigate alleged offences against Housing and Council Tax Benefit, Tax Credits and DWP benefits. There has been little circulated how this new team will run, operate, where it will be situated and what will happen to existing Council investigators.

2. Performance of the Investigation team

2.1 The team have an excellent performance record; sanction results and the value of overpayments identified over recent years have been outstanding. The team in Sutton is a lean, but dynamic team which is reflected in the exceptional performance we have achieved.

Table 1 – Sanction performance over last three years

Year	Cautions	Administration penalties	Prosecutions	Total
2008/09	52	39	15	106
2009/10	71	43	27	141
2010/11	71	58	20	149

2.2 As Table 1 above illustrates, there has been a continued improvement each year on the number of sanctions achieved with a significant increase in the year 2009/2010. The number of sanctions per head in the team equates to 37.25 sanctions per Investigator, which is the highest across the South West London benchmarking group. We were second across the whole of London in 2009/10 and await figures for 2010/11 but expect to be close to the top. (See appendix 1)

Table 2 – Sanctions per head across the S W London benchmarking group 10/11

	Sanctions	Investigators	Sanction per head
SUTTON	149	4	37.25
Wandsworth	125	6	20.8
Croydon	96	5	19.2
Merton	90	5	18
Richmond	65	2.5	26
Kingston	64	3	21.3
Tandridge	22	2	11

Table 3 – Amount of overpayments created over the last three years

Year	Overpayments identified
2008/09	£587,497
2009/10	£496,002
2010/11	£482,027

2.3 The adjacent table shows the amount of fraud overpayments Identified. The classification of Fraud Overpayments changed in 2009/10 and we estimate that without this change the amount of overpayments identified by the team would have been closer to £750,000 for the last 2 years. The exact amount of overpayments actually collected is not easy to report on as fraud overpayments are not classified separately in our system. The Income Management Team have looked at the collection for last year and can confirm that out of £482,027 identified, that around £120,000 had been collected by 31/03/2011.

Table 4 & 5 - Performance against National/local targets

2.4 Sutton Council continues to report locally on the once mandatory national performance indicators. As tables 4 and 5 highlight the targets are met year on year. This is particularly impressive when you consider the caseload has increased by almost 3,000 since April 2008. These targets are met by a highly motivated team, bi-monthly full case reviews and a risk management system, which ensures that quality referrals are fully investigated.

Table 4

Number of Fraud Prosecutions and Sanctions per 1000 caseload			
	2008/09	**2009/10**	**2010/11**
Actual	7.52	9.49	9.36
Target	6.50	7.00	7.10

Table 5

Number of Fraud Investigations per 1000 caseload			
	2008/09	**2009/10**	**2010/11**
Actual	36.41	35.16	36.19
Target	30.00	33.00	33.00

3. Qualities of the team and Council in the area of fraud prevention and detection

3.1 As well as being fully PINS trained to Level 7 the main qualities of the team are;

- The team is well established – effectively 50 years experience of investigations amongst 6 staff. This offers an excellent level of expertise and continuity within the team.
- Due to the significant time spent together there is an excellent team spirit which helps them work together to share ideas and resolve problems and issues.
- The team have an excellent 'can do' flexible and adaptable attitude that is reflected in how they often volunteer for specific tasks or activities and take an active approach to issues.

3.2 Prevention

a) Security questions are in place on the Revenues and Benefits call centre, with two questions having to be answered correctly before any information is released. We also adopt a password for all new people making a claim. This ensures when we ring the customer back we are speaking to the correct person and that they can be assured they are talking to the Council. This is extremely important with the many scams that are currently operating in the South West London area.

b) Recent analysis by the Security and Support Manager indicated less than 9% of all frauds discovered over the last 2 years were from false claims from the outset; 91% of all frauds committed in the Borough are through knowingly failing to report a change of circumstances.

c) The top 4 frauds where we have offered a sanction (Caution, Administrative Penalty or prosecution) since April 2010 are undeclared Income (mainly Tax Credits) (142), undeclared work (70), undeclared partner (39) and undeclared capital (22).

d) We launched our new report a benefit fraud eform in late 2010 to allow our residents to report a benefit fraud with the reassurance it can done anonymously. Over 20 e-forms have been received already and we ensure we publish the link on all prosecution articles to ensure the public are aware of this new process.

e) We publicise all successful prosecutions in the local newspapers and on our website (go to http://www.sutton.gov.uk/index.aspx?articleid=9203), which is updated every quarter. We also publicised that the LB Sutton Investigation Team are number one in South West London in terms of sanction success! Sanctions are offered on all cases where a benefit offence has occurred and it is in the publics' interest to pursue action. These are important messages to publish and will act as a deterrent against most people committing benefit fraud. One successful prosecution made 5 National and 50 local newspapers across the Country.

f) We maximise the use of sanctions to act as a deterrent to prevent further offending and will prosecute all cases of serious fraud. The number of successful prosecutions for the last two years (see Table 6) confirms the dedication of the team and the quality of evidence gathered to prosecute the most serious offences.

Table 6

Year	Prosecutions taken to court	Successful prosecutions
2008/09	18	15
2009/10	27	27
2010/11	20	20

g) We provide fraud awareness training to all new and existing Revenues and Benefits staff including the call centre, to all Registered Social Landlords and to most uniform Officers at Sutton Police, receiving very good feedback. Fraud Awareness training is delivered to all local CAB staff.

h) We have increased job shadowing for all Benefit staff to support fraud awareness training and to give them an insight into all aspects of our job; including surveillance and Interview under Caution's. Giving the team informed referrals from front facing or processing staff and closer working relationships across the whole section. The open door policy and communication has never been better.

i) We also regularly publish internal staff and partner update called "Fraud Flash", a local 'must read', which includes recent cases, quizzes, information and office contact details, in a humorous and engaging format.

j) On 30/09/2010 the Investigation Team won the named Institute of Ratings, Revenues and Valuations (IRRV) Excellence in Anti-Fraud category, which is a National and prestigious award.

3.3 Detection

a) As previously mentioned 91% of all frauds committed were changes in circumstances, therefore, with the advent of continuous benefit periods in 2004, interventions are important to identify these changes.

b) In 2010/11 we completed 6773 full interventions (approx 43% of our caseload). We identified 1655 changes in benefit (24% of completed interventions). If a full intervention is carried out and documented, and at a later date the Investigation Team find out there was a change the customer failed to declare we have the evidence that the customers action was deliberate, which helps prove the offence.

c) The team carry out regular pro active drives, and have carried out successful drives on landlords and local businesses, always in partnership with the DWP.

d) We complete regular visits to all Houses in Multiple Occupation due to the high risk of fraud on these cases and we maintain a centralised database to monitor the success of these visits.

e) The Benefits data sets are regularly matched against other Central Government Databases by the Housing Benefit Matching Service (HBMS). The Investigation Team

undertake the initial sift of matches to identify and action high risk cases to maximise use of resources and identify suitable cases for applying a sanction. We also make use of the register of electors and have online access to the Land Registry.

f) Another pro-active drive took place on all benefit cases where child benefit was in payment, yet there had been no declaration of tax credits; this led to many referrals and claims being revised. We also looked into all claims where maternity allowance was in payment, and ensured the claimants were contacted after a certain period to obtain details of their change in income, which ensured minimal overpayments.

g) Surveillance is often a vital tool used to detect an undeclared partner and last year we carried out seven surveillance cases with all being successful and leading to a sanction.

3.4 Department for Work and Pensions

a) Our partnership with the DWP has always been very strong, but we realised as a team we had to strengthen our ties locally to maximise our opportunities to catch fraudsters.

b) The tables below show the success we had in 2009/10 and 2010/11 and how our partnership with the Department for Work and Pensions is one of the strongest locally.

Sanction breakdown 2009/10							
	CONVICTIONS		Administrative Penalties (30% fine)		CAUTIONS		TOTAL
	LA	JOINT with DWP	LA	JOINT with DWP	LA	JOINT with DWP	
Croydon	19	13	10	4	80	9	135
Kingston	8	4	11	4	26	5	58
Merton	5	7	25	1	34	6	78
Richmond	4	1	13	0	14	0	32
SUTTON	11	16	38	5	62	9	141
Wandsworth	9	8	55	0	12	3	87

Sanction breakdown 2010/11							
	CONVICTIONS		Administrative Penalties (30% fine)		CAUTIONS		TOTAL
	LA	JOINT with DWP	LA	JOINT with DWP	LA	JOINT with DWP	
Croydon	14	19	12	9	33	9	96
Kingston	8	4	9	5	21	17	64
Merton	7	6	16	5	55	1	90
Richmond	10	2	20	1	32	0	65
SUTTON	6	14	52	6	60	11	149
Tandridge	4	2	12	0	3	1	22
Wandsworth	6	17	77	3	18	4	125

3.5 Sutton Police

a) We have excellent two way communication with Sutton Police in the Borough Intelligence Unit, CCTV section, Neighbourhood Teams and the Financial Intelligent Unit. Our agreement with the Unit has lead to many local arrests of offenders due to information lawfully provided by the investigation team. We are also able to gain intelligence on investigation files and have received many direct Police referrals about possible undeclared partners.

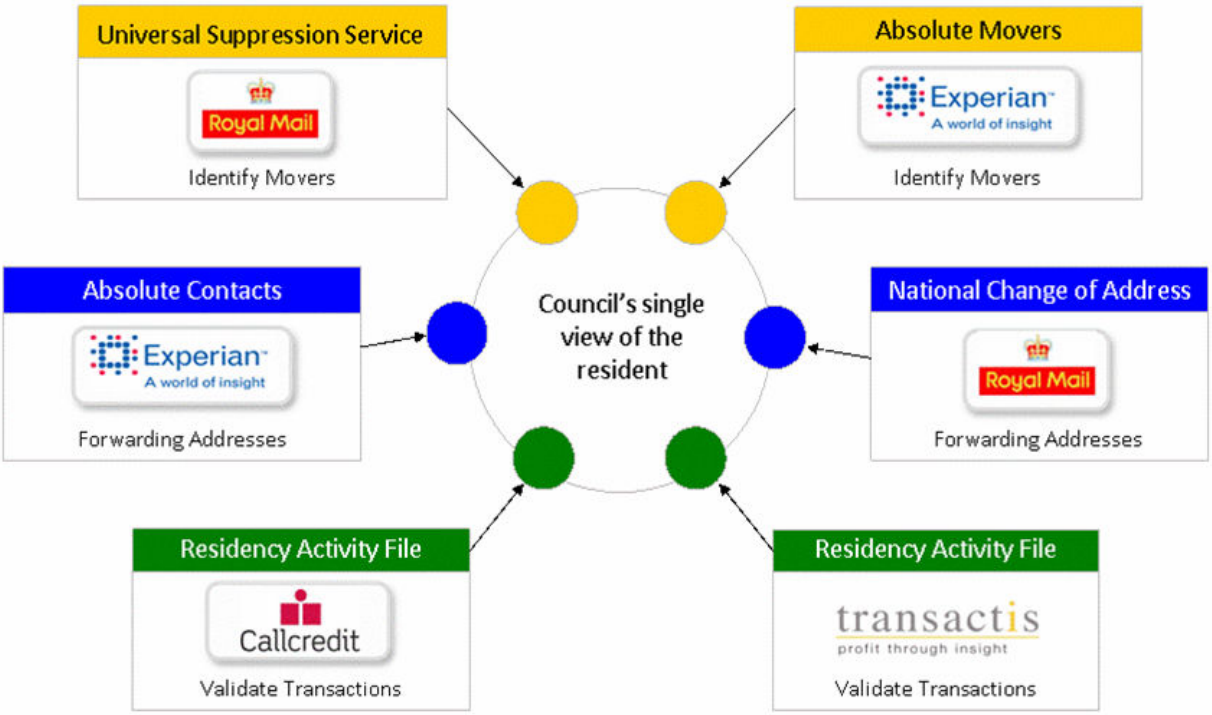
b) The partnership with Sutton Police acts as a deterrent and detector of fraud and crime locally; we carried out ten arrests last year with Sutton Police for benefit only offences.

c) We attend routine road stops with Sutton Police, and check the information given to the Police against our Council Tax and Benefit systems; ensuring there are no irregularities concerning single person discount or benefit claims.

3.6 Council Tax and single person discount (SPD) fraud

a) In the last quarter of 2010/11 we piloted fining residents £70 who were found to have committed single person discount fraud. We only fined residents where they have signed a declaration stating they are entitled to the discount, but our investigations proved otherwise. Two fines were imposed and have since been paid back in full. We are continuing to send our proven undeclared partner cases to Revenues for them to administer a penalty.

b) Regarding SPD fraud, we are also participating in a trial with private companies Methods Consulting, Transactis and Call credit. The trial has provided us 1915 addresses where SPD is being claimed, but there is another adult with credit reference information at the address in the past 3 months. The Investigation Team are going to manage the SPD review this year, The flowchart below shows the information that is being used to highlight SPD fraudsters.



3.7 Parking Services

a) Blue badge fraud is an ever growing problem around London and we have used our investigation and interviewing expertise to help Parking Services. We have undertaken eight Interview under cautions for Parking regarding blue badge offences in the past year and Parking achieved their first ever prosecution for blue badge fraud. This is a continual partnership that will ensure that the people who misuse blue badges are brought to justice.

b) We have a further 2 cases currently being investigated and are due to be interviewed in June.

3.8 Sutton Housing partnership (SHP)

a) SHP recognised the need to investigate tenancy fraud and illegal sub-letting. The Officer in this role works in partnership with the Investigation officers in terms of data sharing, interviews, visits and arrests. Through our investigations in 2010/11 two Council properties were returned to the Council and in total 30 Council properties were returned. All 30 properties have since been used to re house families.

4. Closing of the 2009/10 National Fraud Initiative (NFI)

The National Fraud Initiative is a data matching exercise run by the Audit Commission which matches all data from Local Authorities, Student Finance, NHS, Police and many other public bodies.

a) The NFI 2009/10 is now closed and can fully report on the success. £372,684 has been identified in overpayments and the following 46 sanctions implemented or in the process of being prosecuted: 27 Cautions, 12 Administrative Penalties, 3 successful Prosecutions and a further 4 currently going in Court.

   This NFI has been very fruitful in terms of sanctions, but more importantly in terms of lessons that have been learned. It has highlighted trends and pro-active drives to be considered in the future. This learning should help us reduce the number of NFI referrals received, which will help in the management of such a large project. For instance, as discussed earlier, we now monitor and review all Household of Multiple Occupants (HMO) claims.

   We also used this NFI to cleanse our data and ensure all bad matches due to old or incorrect information has been rectified on the system. We encouraged internal and external partners to do the same and we hope this work will lead to fewer more accurate matches next time.

4.1 Opening of the 2011/12 National Fraud Initiative (NFI)

a) The NFI 2011/12 contains 2148 data matches to look into and can confirm the following:

   i. Over £28,000 has been identified in overpayment
   ii. 943 Cases have already been verified and closed
   iii. 80 cases have been opened for investigation

Appendix 1 - London Borough sanction performance 2009/2010

	Authority	Total	Caseload (approx)	Sanctions per 1,000 caseload	Full Time Investigators	Sanctions per Investigators
1	Barnet	138	31000	4.45	3.5	39.4
2	**Sutton**	**141**	**15500**	**9.10**	**4**	**35.3**
3	Westminster	119	25000	4.76	4	29.8
4	Camden	157	29000	5.41	5.5	28.5
5	Hillingdon	107	26000	4.12	4	26.8
6	Newham	208	42000	4.95	8	26.0
7	Croydon	130	35000	3.71	5	26.0
8	Ealing	127	32000	3.97	5	25.4
9	Bexley	75	18500	4.05	3	25.0
10	Bromley	112	20000	5.60	5	22.4
11	Kensington & Chelsea	87	17000	5.12	4	21.8
12	Enfield	156	37000	4.22	7.5	20.8
13	Tower Hamlets	187	36,883	5.07	9	20.8
14	Havering	100	18500	5.41	5	20.0
15	Kingston	57	10000	5.70	3	19.0
16	Hammersmith & Fulham	88	22000	4.00	5	17.6
17	Brent	81	40000	2.03	4.75	17.1
18	Islington	88	31000	2.84	5.5	16.0
19	Harrow	56	16700	3.35	3.5	16.0
20	Redbridge	111	22500	4.93	7.5	14.8
21	Waltham Forest	118	32100	3.68	8	14.8
22	Southwark	110	39000	2.82	7.5	14.7
23	Wandsworth	87	28800	3.02	6	14.5
24	Lambeth	81	42000	1.93	5.8	14.0
25	Merton	74	15500	4.77	5.75	12.9
26	Richmond	31	11000	2.82	2.5	12.4
27	Greenwich	112	28000	4.00	9.6	11.7
28	Barking & Dagenham	62	24500	2.53	6.5	9.5
29	City of London	9	1200	7.50	1	9.0
30	Hackney	53	42000	1.26	6	8.8
31	Hounslow	44	24000	1.83	5.5	8.0

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