

AUDIT COMMITTEE

26 NOVEMBER 2013

SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

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Summary

Members are asked to consider the current proposals for the introduction of a national Single Fraud Investigation Service within the Department for Works and Pensions and the impact this might have on Medway Council.

1. Budget and Policy Framework

1.1 It is in the remit of the Audit Committee to take decisions regarding accounts and audit issues.

2. Background

2.1 The creation of a Universal Credit, to replace benefits and Tax Credits for people of working age, provided an opportunity to take a fresh look at welfare fraud investigation and address inefficiencies in the current arrangements.

2.2 The Department for Work and Pensions (DWP) Fraud & Error Strategy received Home Affairs clearance in 2010. This included the proposed creation of a single, integrated fraud investigation service that would investigate welfare benefit fraud across DWP, HMRC and local authorities. This was not subject to consultation.

2.3 The initial strategy was to deliver the Single Fraud Investigation Service (SFIS) in 2013/14, however after work to scope pilots it was agreed in 2012 that SFIS would go live in 2014/15.

2.4 In September 2011 the DWP launched a "Preference Exercise" amongst Local Authorities. The reported consensus was that SFIS would initially start by piloting the service as a partnership with LA staff remaining employed by LA's but operating under SFIS powers, policies, processes and priorities.

3. Pilots

- 3.1 In early 2013 four pilots began to test a variety of partnership approaches and a single set of policies and procedures to help identify the best delivery model. An additional pilot began in April 2013 to support Universal Credit. Further pilots will go-live shortly.
- 3.2 The SFIS Tranche 1 Pilot Interim Evaluation was published on 17 October 2013 and is attached at **Annex A**.

4. SFIS Service delivery

- 4.1 In May / June 2013 SFIS project staff worked with DWP, HMRC and LA representatives to consider the options for future delivery of SFIS. These options included:
- Introducing SFIS as a partnership
 - Introducing SFIS as a single organisation within DWP
 - Introducing SFIS as a single organisation, but owned by another organisation
 - Take no action and leave the services as they are.
- 4.2 On 6 September 2013 it was announced that the Fraud Error & Debt Programme Board supported the recommendation that SFIS should be introduced as a single organisation within DWP. This remains the current recommendation; however a decision will not be reached until the full business case is finalised, stakeholder consultation is concluded and an agreement for funding with HM Treasury is secured.
- 4.3 On 4 November the SFIS Option Decision Rationale was published; this details the rationale for recommending SFIS be formed as a single organisation within the DWP and is attached at **Annex B**.
- 4.4 The recommendation has been ratified by DWP Permanent Secretary and the Minister for Welfare Reform.
- 4.5 Discussions have taken place with DCLG, Scottish Government, Welsh Assembly, HMRC, LGA and internally within DWP.
- 4.6 It is envisaged that the Programme Board will sign-off the business case before the end of November and an announcement on funding will be made before the end of 2013.
- 4.7 At present the Benefit Administration Grant part funds the majority of LA fraud teams. The DWP have suggested that 1/3 of the Admin Grant should be spent on Fraud and Error. It is currently a SFIS recommendation there should be no changes to LA funding for welfare benefit fraud for the year 2014/15, however this is in contradiction to the recently announced Admin Grant for 2014/15 which has seen a 10% reduction – approximately £0.2 million – and this is on top of reductions in 2011/12 of 3.7%: 2012/13 of 6.8% and 2013/14 of 6.7%.

4.8 Rollout options are currently under consideration with a view that a number of Local Authorities could roll out on a monthly basis over 2014/15.

5. Change within the current DWP Fraud and Error Services

5.1 On 1 October 2013 thirteen DWP Compliance Teams were absorbed into the new Operational Excellence Directorate (OED), which includes the Fraud Investigation Service (FIS). In preparation for this move there was a closed recruitment exercise which encouraged front line Job Centre Plus (JCP) staff to apply for Compliance roles. Successful staff transferring to Compliance roles were immediately offered letters inviting them to apply for "Exit Packages", presumably as part of meeting the target reductions referred to in 5.3 below.

5.2 By April 2014 the DWP will have brought together their internal teams delivering Fraud and Error services under a single new leadership team and will have the foundations of: -

- A Referral and Case Management Service, including a new Identity Management Team.
- A centralised Fraud and Error Prevention Service.
- A local Fraud and Error Local Service that aligns the works of the Customer Compliance and FIS area teams.
- A Central Criminal Investigation Service.

5.3 DWP vacancy filling and workforce management procedures will continue, irrespective of SFIS implementation. It is known however that DWP is facing Spending Review pressures. Across DWP (including FIS) there will be staff cuts of 15% for 2014/15 & 10% for 2015/16.

6 Impact on Local Authorities

6.1 As SFIS is implemented the following will directly impact on Local authorities:

- The investigation of HB/CTB fraud and tax credits will move to SFIS
- The investigation of new Local Council Tax Reduction Scheme, Corporate Fraud, and Tenancy Fraud etc. will remain with LAs.
- The amendment of HB/CTB claims will remain with LAs
- The calculation and recovery of any HB/CTB overpayments will remain with LAs.
- SFIS will request information and evidence from LAs to support an investigation.
- SFIS will use single prosecution bodies (Crown Prosecution Service for England and Wales and the Prosecutor Fiscal for Scotland).

- 6.2 The new Local Council Tax Reduction Scheme is not a welfare benefit and there are currently issues around DWP staff investigating / prosecuting fraud on these cases where they are the lead body. DWP are currently working with DCLG and the devolved administrations to develop a solution.
- 6.3 DWP Fraud Investigation Service (FIS) Counter Fraud Officers have already been instructed they must not attend interviews under caution or joint work in cases where Council Tax Reduction (CTRS) is included and the Crown Prosecution Service (CPS) will not include CTRS offences. This has had an impact on our current joint working arrangements.
- 6.4 In October 2013 the National Anti-Fraud Network (NAFN) and Local Authority Officers Investigation Group (LAIOG) produced a template letter and encouraged Councils and individual Local Authority investigators to send their own versions, detailing their concerns regarding the implementation of SFIS to:
- The Secretary of State for DWP
 - The Parliamentary Under Secretary for Welfare Reform
 - Secretary of State for Communities and Local Government
 - Local MPs.
- 6.5 On 8 October Medway sent a letter to Lord Freud, Parliamentary Under-Secretary for Welfare Reform (cc to Mark Reckless (MP), Tracey Crouch (MP), Cllr Rehman Chishti (MP), Cllr Alan Jarrett (Finance Portfolio Holder) and Cllr Sir Merrick Cockell, Chairman of the Local Government Association). A copy of this letter can be found at **Annex C**. A response was received on 8 November, a copy of which can be found at **Annex D**.
- 6.6 In communications with Tracey Crouch (MP) Audit Services have outlined the following general concerns around the SFIS implementation: -
- The go live date for SFIS should be reviewed in light of the significant number of issues arising, not least that the issues identified from the pilot sites have not yet been addressed
 - What evidence is there to support the decision that SFIS should sit in DWP as this goes against the preference exercise decision of Option 1 (which was that Local Authority staff would remain employed by the LA but work to a co-developed unified SFIS policy)
 - How does the implementation of SFIS fit in with the Fighting Fraud Locally programme?
 - There appears to be little consideration for the impact on Local Authorities. This goes beyond Council Tax Reduction schemes, and is particularly relevant to Housing Fraud (estimated as the biggest fraud loss in Public Services). Given the recent enactment of the Social Housing Fraud Act 2013 it seems foolhardy to give Local Authorities the powers to

investigate Housing fraud & then take away the resource to undertake a joined up Housing / Benefit investigation.

- A key outstanding concern relates to the IT solution – if FRAIMES (the DWP's fraud management system) is to be used then is it actually fit for purpose?

6.7 There are some significant questions regarding the scope of SFIS (particularly in light of the apparent risk of delays relating to Universal Credit), including the impact of splitting welfare benefit and council tax investigations:

- Traditionally investigations into housing benefit and council tax benefit have been undertaken together since the investigations run of the two run along very similar lines i.e. same evidence required for both. Is it sensible to separate the Welfare Benefit / Council Tax Reductions investigations? Have the costs to the public purse been determined? How does this provide a streamlined and joined up approach when it will mean duplication of effort, and therefore cost?
- Has serious consideration been given to delaying the inclusion of Housing Benefit in SFIS until the full role out of Universal Credit? This is particularly relevant if Universal Credit is delayed & Local Authorities continue to bear the administrative function of Housing Benefit.
- Would it be sensible to trial Tax Credit Fraud & DWP benefits under the SFIS banner (assuming HMRC are still committing to SFIS), before looking to include housing benefit?
- When will a clear timetable be released (at present all we know is there will be a phased implementation starting in 2014)?
- Will the full business case be released, if so when?
- When will a decision be made regarding TUPE?

7 Risk management

7.1 There are no risk management implications arising directly from this report.

8 Financial and legal implications

8.1 There are no financial or legal implications arising directly from this report.

9 Recommendations

9.1 Members are asked to note the current DWP recommendations and the potential impact on the Corporate Anti-Fraud Team within Audit Services.

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Further information

Specific questions can be directed to the SFIS project: -
SINGLEFRAUDINVESTIGATIONSERVICE-QUERIES@DWP.GSI.GOV.UK

SFIS publications are posted on the Local Government Knowledge Hub: - register by emailing knowledgehub@local.gov.uk

Background Papers: None



Department
for Work &
Pensions

Adran Gwaith
a Phensiynau

Annex A

Single Fraud Investigation Service – Tranche 1 Pilot Interim Evaluation

Preventing Fraud, Minimising Error and Recovering Debt

September 2013

V1.0

Document Control

Key personnel

Title	Single Fraud Investigation Service Tranche 1 Pilot Interim Evaluation
Author	David Hanshaw & Gary Hughes
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Version history

Version	Date	Summary of changes	Changes marked
1.0	30/09/13	Baselined Document	

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Abbreviations

AME	Annually Managed Expenditure
CPS	Crown Prosecution Service
CPT	Central Prosecution Team
CTB	Council Tax Benefit
DCLG	Department for Communities & Local Government
DEL	Departmental Expenditure Limits
F&E	Fraud & Error
FI	Fraud Investigator
FIS	Fraud Investigation Service (DWP)
FIS (I)	Fraud Investigation Service - Intelligence
FIU	Financial Investigation Unit
FRAIMS	Fraud Referral and Information Management System
FTA	Failed to Attend (appointment)
FTE	Full Time Equivalent
HB	Housing Benefit
HMRC	Her Majesty's Revenue & Customs
HR	Human Resources
IRIS	Integrated Risk and Intelligence Service
IRIS PIS	IRIS Pre - Investigation Service
IUC	Interview Under Caution
JID	Joint Intelligence Desk - HMRC
JPT	Joint Prosecution Teams
L&D	Learning & Development
MI	Management Information
NAFN	National Anti Fraud Network
NAO	National Audit Office
NBA	New Burdens Assessment
NHS	National Health Service
NWoW	New Ways of Working
OBC	Outline Business Case
OGD	Other Government Department
OIU	Organised Intelligence Unit
PF	Procurator Fiscal
PIP	Personal Independence Payment
POCA	Proceeds of Crime Act
RCM	Referral & Case Management System
SFIS	Single Fraud Investigation Service
SIP	Standard Intelligence Pack
TC	Tax Credit
TOM	Target Operating Model
TUPE	Transfer of Undertaking Protection of Employment
UC	Universal Credit

1. Introduction

1.1. The Single Fraud Investigation Service (SFIS) brings together the combined expertise of Welfare Benefit Fraud investigation work undertaken by Department for Work and Pensions (DWP) Fraud Investigation Service (FIS), Local Authority (LA) Benefit Fraud Investigators and Her Majesty's Revenue and Customs (HMRC) in relation to Tax Credits into a single service.

1.2. This approach supports the Fraud and Error vision to minimise fraud and error through preventing it getting into the benefit system through detection and correction of fraud leading to punishment for those who have committed fraud and deterrent for others who maybe considering it.

1.3. This document will explore the major areas of the SFIS design and detail the progress the pilots have made to ensure the design is being tested.

2. Pilot Details

2.1. The four tranche 1 pilots, implemented from November 12, were located in the London Borough of Hillingdon, Wrexham Borough Council, Corby Borough Council and Glasgow City Council. The pilots utilised around 34.0 FTE staff to deliver the fraud investigation services. Around 21 were from DWP FIS with the remaining from LAs.

2.2. Each pilot area tested SFIS processes based on different organisational requirements allowing a comparison to be drawn and best practice to be adopted.

2.3. Pilot team members remain within their existing line-management control but are task managed by an SFIS pilot team leader. This results in a conflict of interests, and limited control over competing priorities. The SFIS project is unable to ask LA colleagues to work beyond the boundaries of their Local Authority and the resource supplied by DWP FIS is not always a dedicated resource. The pilots have all identified issues when managing staff's workload outside of direct line management. This reduces the SFIS project's ability to

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accurately measure and collate meaningful Management Information and deliver anticipated benefits and savings.

3. Key Areas of Testing

	What are we testing?	Hillingdon	Corby	Wrexham	Glasgow	
Single Service	Partnership working across DWP, LAs and HMRC	✓	✓	✓	✓	
	Ability to deliver a single unified service across the partners	✓	✓	✓	✓	
Single policy and process	Data sharing across central & local government	✓	✓	✓	✓	
	A single set of SFIS investigation policies and procedures	✓	✓	✓	✓	
	Conducting a single investigation covering the totality of welfare benefit fraud including Tax Credits	✓	✓	✓	✓	
	The HMRC data sharing and support process	✓	✓	✓	✓	
	Sending cases to DMs and prosecution in parallel	✓	✓	✓		
	Witness Statement requirements assessed and requested during Intel	✓	✓	✓	✓	
	Not holding up the prosecution process pending an Appeal outcome	✓	✓	✓	✓	
	Close working with LA corporate fraud	✓	✓	✓		
	LA and DWP arrangements re: financial investigators	✓	✓	✓	✓	
	Learning & Development and Skills required to cover totality of fraud investigation	✓	✓	✓	✓	
	Time taken to complete stages and the end to end process	✓	✓	✓	✓	
	The interim IT solution for the future	✓	✓	✓	✓	
	New IUC letters	✓	✓	✓		
	New legislation	LA staff as part of SFIS to be able to investigate/prosecute all welfare benefits and tax credits under Section 109A and under the amended 2008 regulations	✓	✓	✓	✓
		DWP staff as part of SFIS to be able to investigate/prosecute all welfare benefits and tax credits under section 109A and amended 2008 regulations	✓	✓	✓	✓
HMRC to be able to provide Tax Credit information to an LA employed investigator in a case linked to TC/DWP benefits/HB under SLA supported by individual MOUs under Section 127 WRA 2012		✓	✓	✓	✓	
Organisational Models	Co-location in LA Premises	✓				
	Co-location in DWP and LA Premises		✓			
	Separate LA and DWP locations			✓	✓	
Task Manager Line Mgr roles	Joint DWP and LA task managers			✓	✓	
	DWP task manager + LA line manager		✓			
	LA task manager + DWP line manager	✓				
	LA Option 1 – separate task and line manager			✓		
Intelligence Gather roles	LA intel gathering and use of LA Authorised Officers				✓	
	OUI and NAFN		✓	✓		
SIP	OIU and LA Authorised Officer	✓				
	Intelligence Gatherer and AO prepares SIP for investigator				✓	
Prosecution arrangements	Fraud Investigator and AO prepares SIP for investigation	✓	✓	✓		
	PF requirements for prosecuting a SFIS single investigation				✓	
	CPS requirements for prosecuting a SFIS single investigation			✓		
	CPS and LA Solicitor option for prosecuting a SFIS single investigation	✓	✓			

4. Critical Success Factors

4.1. There is a single set of policy and procedures in place that deliver the efficiency improvements detailed in the SFIS Business Case;

4.1.1. Prosecutions completed and outcome known to be shortened moving towards an aspiration of an average 6 months from the start of the investigation.

4.1.2. SFIS investigation detects additional higher value fraudulent activity.

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4.2. Legislation / legal powers are in place to deliver a Single Fraud Investigation Service (current and future regulations which will be introduced at a later date).

4.3. Staff have been trained and accredited to the appropriate level to deliver SFIS.

4.4. There is an Organisational structure and design in place that will support the delivery of a SFIS that is able to investigate the totality of Welfare Benefit Fraud.

5. Tested Areas

5.1. Single Service

5.1.1. The pilots have delivered a single organisation consisting of DWP, LA and HMRC allegations. All pilots have ongoing issues with HMRC referrals which consist of perceived lack of information on the referral along with a potential learning need to support the investigator understand the allegation and consider further action. The project is working with HMRC to improve this situation. All pilots do not foresee any issues with investigating HMRC referrals but further support is required and being provided.

5.1.2. A number of the pilots have discovered that although the SFIS Process starts with the referral being received by the SFIS team, the route of the referral before this has an impact on the pilot. Agreements were initially discussed for untouched referrals to be directly received by the SFIS team. This led to work being redirected from the existing FIS Fraud Referral and Intervention Management System (FRAIMS) inbox and similarly LA staff submitting a referral into the DWP system. However, this led to issues with cases being mixed with existing FIS referrals and caused issues in providing SFIS referrals to the pilots. To solve this, automated inboxes were introduced which routed SFIS referrals based on the pilot postcodes directly to the pilots referral management resource. However, one pilot identified over 5000 postcodes for the pilot which has meant a substantial amount of work was required to create an automated inbox. The project is working with this pilot

and DWP Corporate IT in resolving this issue. Overall, referrals are now being received correctly by the pilots; however, there have been instances where referrals have been 'sanity checked' by the LA before inputting on FRAIMS to reduce the perceived waste on inputting a referral with no obvious substance. This has led to situations where the referrals have bypassed the SFIS process and been closed or routed to LA compliance, i.e. cases usually involving CTB/HB only. The project has worked to lower the risk of this occurring with the automated inbox and by monitoring referrals received by querying any management information which may point towards an issue. However, if referrals are not entered onto FRAIMS, effectively these referrals cannot be tracked or recorded as part of the SFIS pilots.

5.2. Single policy and Process

5.2.1. Organisational Models – The 4 Pilot sites each tested a different Partnership Model. The following models were tested;

- LA Manager led with sole location within the LA estate. This model tested a LA Task Manager managing the pilot work along with continued line management of the LA staff. DWP staff are line managed remotely by a DWP manager. The pilot has IT access to all LA systems required for fraud investigation along with DWP equipment to access DWP information remotely. (Hillingdon)
- DWP Manager led with co-location across DWP and LA estate. This model tested a DWP Task Manager managing the pilot work along with continued line management of DWP staff. LA staff are line managed on site by a LA Manager. Both organisations provided space for staff to work in either location and access the required systems. DWP equipment was issued to all staff to enable access to DWP information from DWP estates and remotely with LA systems only accessible from the LA estate. (Corby)
- DWP and LA Manager led with co-location across DWP and LA estate. This model tested both managers task managing a mixture of DWP and LA staff with each continuing to line manager there own organisations staff. Space was provided in each organisations estate for staff to work from either. DWP equipment was issued to all staff to

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enable access to DWP information from DWP estates and remotely with LA systems only accessible from the LA estate. Local Authorised Officer within the LA provided the pilot with SSFA information.

(Glasgow)

- DWP and LA Manager led with co-location across DWP and LA estate. This model tested both managers task managing and line manager there own organisations staff. Space was provided in each organisations estate for staff to work from either. DWP equipment was issued to all staff to enable access to DWP information from DWP estates and remotely. The LA systems were accessible from the LA estate with a additional laptop provided by the LA which provided access to there systems remotely. (Wrexham)

5.2.2. All models provided a platform to deliver a successful single investigation, however all had the following key impacts which could not be resolved:

- Staff have to attend a Jobcentre fortnightly to update laptops; results in additional travel time and unavailability for work whilst laptop 'synchronises'. This is a required step to ensure the DWP laptop updates with the latest software and cannot be done remotely.
- Going to a different site to collect prints – time lost travelling to and fro – the project provided standalone printers to allow staff to print from laptops in other estates with no network access. The printers are unable to handle high volumes of prints and often generate faults. The project is unable to provide any other printing solution within Departmental contracts. Staff found that when 'synchronising' their laptops they can print required information.
- Security and health and safety concerns taking laptops home or carrying them to a different office.
- Having to use multiple screens but not having enough space on the desk to accommodate all IT equipment – DSE & overall health and safety issue. Often, a pilot staff member will have a LA system, DWP Laptop and stand alone printer on one desk. This has caused staff issues with a lack of working space. The project has provided KVM

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switches (Keyboard, Video and Mouse) which successfully enables the LA workstation and DWP laptop to use one monitor, mouse and keyboard for both.

- Lack of access to LA systems if not physically present on LA estate. There is limited connectivity to LA systems outside of the majority of the pilot sites.

5.2.3. Referrals received by LA staff require a Fraud Referral Form (FRF) before the allegation is entered on FRAIMS. This activity is resource intensive, and if not kept up to date a backlog will arise. As stated above, it is not possible to track any cases which may have been SFIS allegation without an individual using the FRF.

5.2.4. Intelligence Gathering has been one of the most contentious issues. The process involves the creation of an Intelligence Pack by an admin team member, however not all pilots have an admin resource available for this activity and was delegated to be carried out by an investigator. To enable a segregation of duty, investigators were asked to create an intelligence pack and hand this over to another investigator for further action. This was felt to be double handling, to prepare an intelligence pack for it only to be passed to another investigator to read through and familiarise themselves with the case. It is also difficult to determine a standard for an intelligence pack, as each case is different along with investigators applying their learning and experience and starting the investigation rather than limiting the activity to intelligencer gathering only. This meant that the pilots deployed too great a resource in creating the intelligence pack creating bottlenecks. Following this feedback the process has been revised with a more defined intelligence gathering job role and greater line management intervention. This is currently being implemented in the pilot sites. In addition the tranche 2 pilots will be testing a centralised approach utilising a team which will enrich a referral to provide more initial intelligence facilitating earlier evidence based decision making on whether the allegation is to be investigation or rerouted elsewhere..

5.2.5. DWP investigators generally do not suspend benefit until an interview under caution while the LA suspends earlier. This is LA policy and has led to

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issues and risk assessments where this decision to suspend may influence surveillance decisions or compromise the SFIS investigation as a whole. Pilots have managed this situation by working with the decision makers and securing local agreements ensuring that the risk to investigations is minimised. The introduction of a single set of policies and procedures under SFIS will resolve these issues.

5.2.6. Data Sharing - LA and DWP allegations are being investigated by all fraud officers in their totality. Data sharing between the different organisations has not raised any issues with the Memorandum of Understanding being signed by all parties.

5.2.7. Job Roles – DWP and LA only led pilots have provided a single point of contact to discuss issues, queries, and process change. However, joint led pilots with dual task managers have proven challenging in the same scenarios. With two managers, both responsible for the pilot, each located in different premises, the project has had to manage the relationship between these individuals. This is especially the case if each manager has other existing priorities. For example in one pilot location the LA SFIS Task Manager is also the compliance manager and will often ask staff, at very short notice, to stand down from the pilot to undertake compliance work. This creates issues with the DWP Task Manager who is trying to focus on the pilot caseload and the decisions of the LA Task Manager have a significant impact on his priorities. This can lead to friction between the managers on how best to manage the pilot. This is an issue across both organisations with each not always able to deploy full resources to the pilot.

5.2.8. Two pilots tested Local Authorising Officer (AO) roles which has provided quicker access to Social Security Fraud Act (SSFA) information. The AO is granted powers under the SSFA to request specific information that is not available to the investigators (e.g. bank statements). This provides on site access to this information but requires the investigator to direct this aspect of the investigation. Within DWP, Organised Intelligence Unit (OIU) are responsible for this activity. Feedback from the pilots has indicated that this has worked well with LA investigators 'buddying up' with DWP staff to up skill

them in the processes around requesting SSFA information. However, if the manager is on leave the ability for investigators to request this information is hampered and does lead to delays. The AO is also responsible for understanding and interpreting the law and guidance around the limits to the powers used. This provides consistency within local sites but further work is required to understand whether the service provided is consistent with other pilot areas and nationally.

5.2.9. Overall, the pilots have indicated that more detailed job roles aligned with the SFIS process with an explanation of what the intended changes are meant to achieve would have helped the pilot managers/staff understand our expectations of what and how they would perform their roles

5.3. Learning & Development

5.3.1. The pilots have provided positive feedback of all L&D received. The only comments were relating to the gap in-between receiving the training and applying it. This was due to a delay in the clarification of the legal position which meant that training received in November could not be applied until the end of January. Overall, this does not appear to have had a negative influence on the single investigations being undertaken. The DWP Case Management System (CMS) FRAIMS is being used as the primary SFIS CMS. This has been a challenge for all LA staff to use, especially since the LA systems used were different in all sites. Additional hands on support from FIS and FIS Business Support team was secured with FRAIMS experts spending time across various pilots with further consolidation received by the buddying up of DWP staff. This has enabled DWP and LA Staff to share knowledge and experiences which supported dealing with the totality of the fraud and helped the organisations work as one team.

5.4. Caseload

5.4.1. Cases are progressing through the process with the first cases going through the prosecution stages. Further work on how SFIS has impacted these cases will be undertaken for the next stage of the evaluation.

5.5. IT

5.5.1. The Pilot Sites have had to use interim solutions to address the incompatibility of LA and DWP IT systems. Feedback highlighted the ineffectiveness of the current IT solution; this has resulted in a reluctance to follow the SFIS process in its entirety with individual pilots working around the limitations of the system.

5.5.2. The IT solution requires DWP Laptops to be provided and used by all SFIS staff, and LA workstations have been made available to DWP staff on LA estate. DWP laptops require broadband which is slower than the DWP network. SFIS staff must visit a DWP site periodically to synchronise the machine.

5.5.3. Depending on the pilot and job role, some staff use two PCs along with a stand alone printer all on one desk. This has caused DSE and H&S issues which have been resolved and built into future planning.

5.5.4. Each pilot site requires a bespoke SFIS FRAIMS inbox to be created to accurately direct SFIS caseload to the pilot. This however requires manual intervention due to the set up of some pilots. The risk of user error is also heightened as cases can incorrectly change their location depending on which position the user is sitting in within FRAIMS. All of this is difficult to manage and casts doubt over reported Management Information (MI).

5.5.5. Printing is an issue for some staff who are unable to print from LA printers. SFIS provided stand alone printers which proved inadequate for the volume, and increased the equipment footprint of staff. Staff were asked to send any prints from their DWP Laptop and email account to a secure GSX LA email address. This however proved too time-consuming and opened up the possibility of data breaches.

5.6. Interview under Caution (IUC) process

5.6.1. All pilots (apart from the Scottish pilot due to the use of a different prosecution body) are using the new IUC letters and process. A small number of IUC's have been undertaken but early indications show that this will have a

positive effect. The new IUC process is a one letter process which has a stronger message regarding the potential outcomes which the claimant may face if they do not attend the interview. Additionally, it requires a response from the claimant saying they will attend which dramatically reduces the rates of non-attendance.

6. Other Findings

6.1. Partnership Working

6.1.1. DWP, LA and HMRC pilot team members remain within their existing line-management control but are task managed by an SFIS pilot team leader. Some SFIS personnel have other roles and responsibilities e.g. compliance. This has resulted in a conflict of interests that the SFIS project has limited control over. Senior Leaders and LA Management also request direct input from their staff and can determine the outcomes of competing priorities.

6.1.2. The pilots are a mixture of DWP, LA or DWP & LA led teams. All the pilots have identified issues when managing workload outside of direct line management. This reduces SFIS ability to accurately measure and collate MI and to deliver the expected benefits.

6.1.3. Every attempt is made to ensure all staff adopt the same policies and procedures whilst allowing flexibility in redeploying resources to other activities as sites require. This can be confusing for staff whether directly involved in the pilot or not.

6.1.4. The SFIS project is unable to ask LA staff to work beyond their LA boundary. This limits the ability to allocate resources where work requires it.

6.1.5. DWP FRAIMS is used in all pilots. Most LAs insist SFIS cases are simultaneously loaded onto their own systems to allow them to track cases, and produce their own MI. This causes inefficient double handling. Problems also exist with L&D for FRAIMS. The SFIS project team can only support FRAIMS activity as each LA site uses a different IT System.

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6.1.6. To ring-fence LA staff for SFIS activities in times of challenging funding would need specific funding and agreement. Partnerships do not allow proper resource management control.

6.1.7. Pilots have been successful in asking DWP and LA staff to work in each others estate. However, moving forward SFIS would be unable to compel non DWP staff to work in DWP premises and vice versa.

6.1.8. The testing of different job roles is part of the Pilots. However Terms and Conditions are different and this has identified inconsistency in addressing poor performance; inconsistent target and objective setting; and inconsistent disciplinary procedures e.g. data protection breaches will not result in a consistent punishment.

6.1.9. SFIS pilots have had to adapt in order to meet the requirements of 3 businesses - LA, DWP and SFIS.

6.2. Staff

6.2.1. Good engagement and enthusiasm in undertaking their roles within SFIS. All pilot successes have been based on the staff willing to participate and test the areas required under SFIS.

6.2.2. The Departments desk risk assessments (DSE) and other health and safety policies and procedures were undertaken within the pilots. Due to sites being 'non-DWP', staff undertook the assessments as a DWP satellite site with individual LAs requiring different additional assessments. Whilst IT is an ongoing concern (multiple pieces of equipment on desks, etc) staff have not raised any major concerns from a Health and Safety aspect. This situation has been accepted as an interim measure, however, the longer this is in place, the greater the likelihood there will be of this becoming a major issue. All possible solutions have been sought to minimise this risk with equipment being provided where appropriate.

6.2.3. Staff needed to remain aware of business as usual issues affecting FIS and LAs that could have an impact on the SFIS Design process i.e. FIS Bulletins and FIS IT transformation, as well as other on-going business

improvement initiatives. Steps had to be introduced to ensure regular two way communications with Pilots.

6.3. Costs

6.3.1. Pilot costs are available by request

6.4. Risk & Issue Management

6.4.1. Regular checkpoints and good communications, any issues or risks were raised as appropriate and dealt with using the query resolution process and risk manager process detailed by the project.

6.4.2. Issues were reviewed weekly within checkpoints with risks escalated and managed by the implementation central support team.

7. Summary of Findings

7.1. A lack of MI captured at the Pilot stage means only anecdotal information can be provided. An MI pack is now available for each Pilot.

7.2. Delays in the production of the Intelligence Pack including waiting for the OIU to obtain relevant information required for cases i.e. bank statements, can take up to 12 weeks; issues have been identified and a new process introduced to resolve.

7.3. Working at one location with all staff provides a more efficient way to ensure skills and knowledge transfer. DWP and LA investigators have worked together to enable up-skilling in the areas required by SFIS. Staff working across different sites found it more of a challenge to support each other and work as one team.

7.4. The current tactical IT solution is not perfect, causing frustrations and issues around productivity. The pilots feedback is that it is not scalable going forward. DWP systems are accessible over broadband remotely which does not have the same performance as a network and LA systems are generally not available from non-LA estates. Staff also have to travel to a DWP site to

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synchronise and update laptops which means that they are not able to action SFIS work whilst travelling and updating kit.

7.5. More detail in the Design and job roles pre go-live is a major requirement moving forward along with a better understanding of what the pilot is to achieve. Staff were unclear about what SFIS was to achieve and how the process was going to improve the fraud function.

7.6. Greater understanding on how to use FRAIMS with an understanding of the differences of any existing case management system the LA staff previously used. Although the L&D for FRAIMS was well received, it is still a steep learning curve and additional 'official' support would be a requirement going forward rather than relying on DWP staff undertaking knowledge transfer. Especially when the DWP may not have a single approach to FRAIMS usage.

7.7. Overall, the models tested provide the following advantages:

- Minimal disruption to existing organisational structure;
- Enables a single SFIS policy and procedural model to operate;
- Enables the totality of offences to be investigated;
- No changes to terms and conditions for staff;
- No changes to LA estate;
- Provides LAs with the flexibility to redeploy staff;
- Retains local knowledge and access to people and databases.

7.8. The disadvantages of this pilot model are:

- Potential barrier to integrated working based on previous loyalties;
- SFIS will have the responsibility to deliver against its objectives but with little control and accountability for resources;
- It is not seen as delivering any fundamental organisational change;
- Reinforces separate LA / DWP teams;
- IT infrastructure does not support the delivery model currently;
- Expectations of a new single service not met;
- Requires robust agreements between DWP and LAs in each geographical area to ensure resource and performance levels are

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maintained and that a single procedure and process is followed for investigation and prosecution.

8. Comments

8.1. If you have any comments or queries please contact the SFIS inbox at singlefraudinvestigationsservice-queries@dwp.gsi.gov.uk

9. Annex – Pilot Reports

The evaluation reports for each of the pilots can also be found in the Knowledge Hub SFIS documents library.



Department
for Work &
Pensions

Adran Gwaith
a Phensiynau

Annex B

Single Fraud Investigation Service – Option Decision Rationale

Preventing Fraud, Minimising Error and Recovering Debt

October 2013

V0.0c

Document Control

Key personnel

Title	Single Fraud Investigation Service Option Decision Rationale
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Version history

Version	Date	Summary of changes	Changes marked
0.0a	09/10/13		
0.0b	10/10/13	Mel's comments actioned	
0.0c	11/10/13	Mel's comments actioned	

Document Distribution List

To be defined

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Single Fraud Investigation Service

Abbreviations

AME	Annually Managed Expenditure
CPS	Crown Prosecution Service
CPT	Central Prosecution Team
CTB	Council Tax Benefit
DCLG	Department for Communities & Local Government
DEL	Departmental Expenditure Limits
F&E	Fraud & Error
FI	Fraud Investigator
FIS	Fraud Investigation Service (DWP)
FIS (I)	Fraud Investigation Service - Intelligence
FIU	Financial Investigation Unit
FRAIMS	Fraud Referral and Information Management System
FTA	Failed to Attend (appointment)
FTE	Full Time Equivalent
HB	Housing Benefit
HMRC	Her Majesty's Revenue & Customs
HR	Human Resources
IRIS	Integrated Risk and Intelligence Service
IRIS PIS	IRIS Pre - Investigation Service
IUC	Interview Under Caution
JID	Joint Intelligence Desk - HMRC
JPT	Joint Prosecution Teams
L&D	Learning & Development
MI	Management Information
NAFN	National Anti Fraud Network
NAO	National Audit Office
NBA	New Burdens Assessment
NHS	National Health Service
NWoW	New Ways of Working
OBC	Outline Business Case
OGD	Other Government Department
OIU	Organised Intelligence Unit
PF	Procurator Fiscal
PIP	Personal Independence Payment
POCA	Proceeds of Crime Act
RCM	Referral & Case Management System
SFIS	Single Fraud Investigation Service
SIP	Standard Intelligence Pack
TC	Tax Credit
TOM	Target Operating Model
TUPE	Transfer of Undertaking Protection of Employment
UC	Universal Credit

1. Introduction

The Single Fraud Investigation Service (SFIS) is a project within the Fraud, Error and Debt (FED) Programme, set up following the publication of the Fraud & Error Strategy: Tackling fraud and error in the benefit and tax credits systems (October 2010). This contained a commitment to establish a Single Fraud Investigation Service to investigate and punish Social Security welfare benefits & Tax Credit fraud across Local Authority, HMRC and DWP. The strategy, including SFIS, was given Home Affairs clearance in October 2010.

SFIS brings together into a single service the combined expertise of Welfare Benefit Fraud investigation work undertaken by Department for Work and Pensions (DWP) Fraud Investigation Service (FIS), Local Authority (LA) Benefit Fraud Investigators and Her Majesty's Revenue and Customs (HMRC) in relation to Tax Credits into a single service.

In 2011 an agreement was reached to test and review an interim partnership approach for SFIS. In 2012 four SFIS pilots began to test a variety of partnership approaches and a single set of policies and procedures to identify the best delivery model. An additional pilot began in April 2013 to support Universal Credit and a further four pilot areas will begin shortly.

The pilots continue to provide very useful feedback. Following valuable lessons learned from the pilots the SFIS Project has recently made a recommendation that SFIS should be rolled-out as a single organisation within DWP. Our proposal remains a recommendation until we have completed all necessary governance steps (including stakeholder consultation on the business case) and secured HM Treasury funding.

When preparing the SFIS business case only the "short listed options" were detailed. The purpose of this document is to provide our stakeholders with more information as to why the other options considered were dismissed.

2. Summary

2.1. The SFIS Project considered a long list of models for SFIS with these options discussed with stakeholders in May/June 2013. The options considered were;

- Introduce SFIS as a partnership between the three organisations
- Introduce SFIS as a single organisation within DWP
- Introduce SFIS as a single organisation within Local Authorities
- Introduce SFIS as a single organisation within HMRC
- Introduce a SFIS service outsourced to an external organisation or a mutualised service
- Delay the introduction of SFIS until after the full roll out of Universal Credit.

2.2. A number of these options were discounted due to them not meeting the strategic objectives or potential feasibility due to costs, etc. Full details are located later within the document.

2.3. From the long list of options and using the criteria of the strategic objectives, a short list of potential options was selected. These options have been explored in the SFIS Business Case and include;

- Delay SFIS until UC rollout - leave all three organisations as they are with the outcome leading to UC introduction with the responsibility for welfare fraud investigation within the DWP.
- SFIS service formed within the DWP - a single centralised service owned and operated by DWP. This would be the movement of work and potential staff into the Department. Different timescale for the introduction of SFIS were considered.

2.4. The SFIS Business case was updated with the three short listed options discussed and defined. The preferred option is to create a SFIS service owned by the DWP.

3. Strategic Objectives

3.1. A number of strategic objectives were considered when looking at the possible options of the future of SFIS. Additionally, other critical issues or risks were discussed and considered - for example legal issues, data sharing, development of a prohibitively expensive IT system, etc.

3.2. The main strategic objectives considered are listed below including;

- SFIS SO1 - Meets the strategy to deliver an integrated single organisation, promoting a clear understanding of purpose, direction, roles and responsibilities. Provides an end to end accountability for the delivery of fraud investigation.
- SFIS SO2 - Provides a new approach to fraud investigation which is capable of coping with the fraud challenges of UC and wider welfare reform in the future. Provides a coherent policy, process and procedure aligned with all required legal powers for investigating all welfare benefit fraud.
- SFIS SO3 - Streamlines stakeholder engagement. Delivers cross Government savings whilst enhancing the Government's reputation for tackling welfare benefit fraud.
- SFIS SO4 - Delivers a value for money, effective, professional service which optimises resources and is affordable in the long term. Provides long term sustainability, future-proofed with the greatest potential to scale-up for a cross-government anti-fraud service.
- SFIS SO5 - A service which is able to make the best use of the available information and intelligence, including a case management function focused on performance, providing effective targeting of resources. Responds more readily to internal and wider government priorities.
- SFIS SO6 - Financial investigations aligned with criminal investigations enhance the quality of evidence gathered from the outset.
- SFIS SO7 - Meets Ministerial intent and the Fraud and Error Strategy commitments.

3.2. Additionally, the SFIS Project had to consider the potential impacts of future changes in the fraud environment which is predicted to be more sophisticated, collusive, and organised requiring a new, integrated investigation capability. SFIS has also been considered as the first step in establishing a cross Government fraud investigation service, and the consideration included a flexibility for expansion in the future, however at present this is outside the scope of SFIS.

4. High Level Option Analysis

4.1. A number of different SFIS delivery options were considered with a single organisation formed within the DWP being the favoured recommendation. This provided the most effective solution when considering the strategic objectives for SFIS and the challenges of fraud investigation in the future.

4.2. The main options considered are listed below with reference to how the project considered them along with the potential pros and cons of each option.

4.3. Owned by DWP

4.3.1. SFIS as a single organisation operated and run by the DWP - this was the recommended option. This option met all the objectives with a more centralised organisation able to adapt and deliver. The organisation would also be placed to be equipped to deal with new fraud challenges presented by the introduction of Universal Credit (UC) and digitalisation.

4.3.2. The option was also considered using the following key findings;

- A Single Organisation exists already within the DWP specialising in Fraud Investigation.
- Potential TUPE of LA staff from 380+ separate organisations into a single organisation.
- A single set of policies and procedures can be easily introduced and enforced.
- Systems and legislation required to deliver SFIS is already available.
- No requirement for a central monitoring team for the service.

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- Universal Credit is a DWP administered benefit and a Fraud Investigation service within the same organisation will be able to quickly react to any changes in strategy, policy and procedures.
- Legislation already exists for the Department to investigate the current SFIS fraud cases.
- Access to DWP and HMRC system would be available through a potential service provision to source data from the 380+ LA IT systems without complex or expensive IT solutions.
- A single prosecution body can be used (CPS) to deliver a consistent service.
- LAs have a limited fraud resource. DWP will be able to deploy increased levels of resource when required to tackle fraud hotspots.

4.4. Owned by LA

4.4.1. SFIS service owned by the Local Authorities as individuals or groups – this option was considered but was discounted. The LAs delivering SFIS as 380+ separate teams or in a smaller number of groups would not fully meet the majority of the objectives. This option would also be difficult to position and equip for potential challenges of the future fraud landscape. Moreover some LAs already outsource their current fraud activity.

4.4.2. The option was also considered using the following key findings;

- Potential complexity of a TUPE transfer of DWP and HMRC staff into a 380+ organisation with no central governing body.
- The achievement of an agreement to a single set of policies, procedures, and processes would be challenging as each of the 380+ LAs operate autonomously.
- The creation and increased costs of a central monitoring team to monitor the overall SFIS picture in each of the LAs ensuring consistency of resource, policies and procedures, quality and outcomes.
- Housing Benefit would be migrated to UC and administration of it would no longer be within the LAs. Welfare fraud referrals would relate to Universal Credit and other DWP benefits moving forward.

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- The legislation required for the LAs to investigate all welfare benefits, especially when they would not be administering these benefits, would have to be investigated and changed. LAs can investigate benefits due to Housing Benefit administration being delegated to them. However, if the LA is not administering any of the welfare benefits the legislation used may have to be amended or a Secretary of State certificate issued as per current pilot process.
- DWP and HMRC access would be required across the LA estate meaning a significant infrastructure challenge. Pilots currently access DWP data using laptops and broadband connections and is not considered a scalable option. Access to DWP systems the LAs currently receive (CIS) is not viewed as sufficient for fraud investigation. HMRC access rights also dictated by primary legislation and access to this might have legal and technical issue to install in 380+ sites. Not all LAs use the same IT solution.
- Previous agreement with DWP Minister and Attorney General that DWP benefit fraud will be prosecuted through CPS may not be kept if LA given autonomy to chose local LA or High Street Solicitor services.
- Close links within the LA (in some LAs investigators often do both welfare and corporate investigations) may create some positive links between corporate and welfare fraud investigations (although they would still be separate), however, there is a risk corporate fraud activities may take precedence or data sharing protocols could be compromised.
- The lead in times of the creation of a new organisation along with the legal requirements to the timing of contract offerings, recruitment, TUPE transfers of staff, etc, would lead to a longer timescale of delivery.

4.5. Owned by HMRC

4.5.1. SFIS owned by HMRC – This option was discounted. The Comprehensive Spending Review of 2010 saw £917m reinvested into HMRC compliance activity. This raised government expectations with the result that

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HMRC's Criminal Investigation Directorate was obliged to focus its efforts almost entirely on high end tax fraud and organised criminality. Tax credit fraud did not form part of that strategic approach although, pending the outcome of the re-set of the Universal Credit Programme Plans and their impact on the future of HMRC Benefits & Credits remaining within HMRC, HMRC Criminal Investigation will retain a responsibility under business as usual to consider investigation of tax credit fraud in appropriate organised crime cases. If owned by HMRC there is an expectation that there would be a skills gap to be addressed through an extensive programme of Learning & Development.

4.6. Outsourced

4.6.1. SFIS service outsourced to an external organisation or mutualisation - this option was deemed to be inappropriate at the current time considering the objectives for SFIS.

4.6.2. The decision to discount this option also included;

- Potential TUPE requirement with a far greater complexity than other options due to it applying to all DWP, LA and HMRC fraud staff.
- Single set of policies and procedures can be achieved. Changes to policy or procedures in welfare benefits administered would have an impact on the organisation. This may generate changes to contracts and any changes in a fast paced changing fraud landscape may take too long to implement.
- Contract management of any external organisation/mutualisation would need to be setup and funded with an owning organisation identified.
- The organisation would not be responsible for any of the welfare benefits administered.
- Potential changes to legislation. These would have to be identified and amended. This may have a long lead in time.
- IT and data sharing restrictions would have to be explored and considered. The new organisation would need access to DWP, LA and HMRC information with legislation potentially restricting access to host organisations' staff.

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- A single prosecution body can be used (CPS) to deliver a consistent service but if the outsourced organisation may have an option to choose to use alternative prosecution options.
- The lead in times of the creation of a new organisation along with the legal requirements to the timing of contract offerings, recruitment, TUPE transfers of thousands of staff, etc, would lead to a longer timescale of delivery.
- There would be no links within the new organisation with LA corporate fraud. There is a risk that any intelligence that can be shared between them would be lost.
- Potential training commitment.

4.7. Delay until UC rollout

4.7.1. Do not introduce SFIS and leave everything as it is – this option was considered with a view to postponing the introduction of SFIS as a single organisation until 2017 (in a post – UC environment). The option was discounted as it would not achieve the strategic objectives and would delay the accrual of any potential savings attached to the investigation of the totality of fraud. The single organisation would have been introduced into DWP only and would not benefit from the knowledge and capabilities of LA and HMRC fraud staff.

4.7.2. Fundamentally, this option does not provide a single investigation with the associated benefits. There is also recognition from all partners that the current way fraud is managed could be improved. Additionally, stakeholders in LA have identified the continued reduction in LA benefit fraud staff and asked us to do something to remove uncertainty of fraud services in the future. (See final bullet in para 4.3.2)

4.7.3. The option was considered using the following key findings;

- No transferring of staff from LA and HMRC into an SFIS organisation. LA have informed us that they will lose staff due to the uncertainty which would result in a loss of expertise.
- Systems required to deliver SFIS is already available.

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- No requirement for a central monitoring team for the service.
- DWP will be administering UC. Historic Housing Benefit and Tax Credit will require Joint Working to possibly continue but there evidence that this is decreasing and even at previous levels it only applies to a third of cases.
- Legislation already exists for the Department to investigate the current SFIS fraud cases.
- A single prosecution body can be used (CPS) to deliver a consistent service
- SFIS would be unable to deliver any efficiencies or savings.

4.8. Partnership

4.8.1. SFIS being separate organisations in a partnership arrangement – this option does not meet the strategic objectives with great difficulty inherent in the multiple organisations adapting and changing to tackle future fraud.

4.8.2. The decision to discount this option also included;

- With partnership working staff still report to their own organisation so we cannot set the same work objectives and management policies for both. We cannot ask staff to move office. Additional flexibility and pay and conditions remain different with potential equal pay claims.
- Partnership approach can make the delivery of a single policy and procedures more difficult as LAs have there own local policies and procedures. Additionally, it is difficult to ring fence resource as the partners can choose to work to their own priorities.
- Managing the partnership between the organisations and ensuring continuation, performance levels and the management of the relationship would be time consuming and expensive.
- When UC replaces HB, the LA would not have an interest in any benefit fraud. The partnership would at this stage be DWP for Benefit Fraud and LAs for local government fraud – a single service would be delivered in the short term but a cross Government service in the long term would not be delivered.

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- Not all LAs investigate fraud with the funding used to prevent or correct fraud. Investigations are undertaken in different ways and with different priorities. Additionally, as HB ends and is replaced by UC, fraud investigators will reduce even more or be lost.
- The creation of partnership protocols to be used as a framework to allow SFIS to operate. UC would eventually reduce LA interest in the welfare benefit arena which would mean a cross Government SFIS solution would not ultimately be achieved.
- Partnerships would require an expensive cross Government IT solution which would require design, build and/or procure with changes to IT infrastructure. The current pilot solution of using broadband and DWP laptops for those working in LA sites is not considered a scalable solution; Access to LA systems would be available locally but access from other non-LA estates would not be possible. This would make it difficult for DWP staff to investigate a single investigation without Housing Benefit information.
- Previous agreement with DWP Minister and Attorney General that DWP benefit fraud will be prosecuted through CPS may not be kept if LA given autonomy to chose local LA or High Street Solicitor services.

5. Funding Considerations

5.1. All options not considered as part of the short list were not fully costed as they failed to meet the strategic objectives and therefore discounted at an early stage.

5.2. Currently DWP and HMRC fraud activities are funded by the Departments. DWP has legal powers to investigate all welfare fraud including Tax Credits.

5.3. LAs currently investigate fraud relating to LA administered welfare benefits. There are 380+ autonomous LAs administering and paying HB within a framework set out by DWP for which they receive subsidy grants including the Admin Grant. These grants incorporate funding for the investigation and prosecution of HB (and retrospective Council Tax Benefit (CTB)) fraud. LAs

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have powers to investigate some DWP welfare benefits if they are associated with an HB/CTB claim. LAs recover fraudulent overpayments for themselves in a variety of ways including POCA (Proceeds of Crime Act) and Police Regional Asset Recovery Teams (RART). LAs also have powers to investigate LA corporate fraud, for example, Local Council Tax Support (LCTS) or tenancy fraud, but this work does not form part of SFIS.

5.4. In the past DWP have incentivised LAs by operating a payment by results scheme, when this ended the funding for the scheme was included into the existing Admin Grant. It would be difficult to now separate the amount within the current admin grant to support any "payment by results" scheme.

5.5. The previous targets (performance measures) which were in place were removed following consultation and at the request of the Department for Communities & Local Government

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8 October 2013

Dear Lord Freud

Local Authority Staff inclusion in the Single Fraud Investigation Service (SFIS)

In my position as Medway Council Chief Finance Officer I have been actively following the progress of the SFIS implementation project and I am aware that the DWP are about to meet with the Treasury to request funding for the Single Fraud Investigation Service to be owned, managed and led by the DWP. Medway council (the council) are supportive of the concept of a more joined up approach to fraud investigations in the public sector, but not by the method recommended by the DWP.

The council recognise the need to ensure that welfare benefit fraud is prevented and detected, in the best possible and most cost effective way.

The Single Fraud Investigation Service (SFIS) is a massive opportunity to set up a single investigation service, which really works. However, the council has serious concerns regarding the following issues:

1. Impact on Local Authority Investigative Resource

The Local Government Fraud Strategy "Fighting Fraud Locally" (FFL), introduced in April 2012, provided a strategic approach to address the need for greater fraud prevention and smarter enforcement. It recognised that by adopting this strategy across local government it would enable local authorities to become better protected from fraud and contribute to the nation's ability to detect and punish fraudsters. The intention was to strengthen the counter fraud response across local government, resulting in more fraudsters being caught, more fraud prevented and more money returned to authorities.

Retention of local authority investigators within councils is essential to protect the public purse. The council reacted to emerging fraud risks by creating a Corporate Anti-Fraud Team within Audit Services. The team's success relies on Fraud Investigation Officers and Auditors working together to detect, deter and pursue fraud within the organisation.

The council believes it could be left vulnerable to fraud attacks if the proposal goes ahead to transfer a significant number of officers to the DWP. The loss of experienced staff would have an adverse affect on the counter fraud activity it is seeking to promote across the organisation. The DWP are not looking holistically at what is best for the public purse - they are purely focussing on welfare fraud.

2. Original proposals which made sense to all parties have been killed off, and the new proposals rushed through

Following consultation in 2011, it was agreed when SFIS was introduced that local authority (LA) staff would remain employed by local authorities but work under DWP policy and procedures. This resolved incredibly complex issues surrounding pensions and TUPE, and retained the all-important local link to councils. It was agreed that 'pilot' LA's would be set up to test differing processes and DWP promised to analyse feedback from the pilots in order to determine how best SFIS would operate. The feedback from the existing pilots, in the form of an interim evaluation, is not due for release until week commencing 7th October, so it is extremely difficult for us to comment on the success of the individual pilot sites. I believe that further pilot sites, testing different complex issues to those explored by the original pilots, are not due to commence before November 2013.

The initial approach of full consultation with local authorities has been replaced by a "steamroller" approach, which is epitomised by the refusal to allow key stakeholders sight of the Business Case and forming conclusions before pilots have even begun.

3. Universal Credit

Universal Credit has been delayed in order to make sure it works correctly; it is only right that SFIS should also be delayed so that it works properly too. Whilst LA's continue to administer Housing Benefit it is logical for the LA investigation officers, who have the requisite skills and knowledge, to continue to investigate Housing Benefit fraud.

4. Severing the link between Universal Credit and Council Tax Reduction Schemes (CTRS)

DWP have already advised that there is to be no joint working with LA's on CTRS cases. Historically the council and the local DWP Fraud Investigation Service (FIS) have enjoyed an extremely successful partnership. The separation of investigations into Welfare Benefits and CTRS makes no sense, as it will affect the totality of sentencing, increase costs of investigation and prosecution and is completely counter-intuitive. There will be no notification of Universal Credit frauds to local authorities, and as these individuals are likely to be receiving CTRS, this will increase fraud loss to councils.

5. Current joined up working arrangements in local government will cease

Local authorities currently effectively link different areas of investigation work together. Joint working will be mandated by DWP to cease. As an example of the impact this will have, social housing fraud is currently estimated at £1bn. The exchange of data between benefits and Housing teams currently provides a rich source of housing fraud referrals – this liaison will completely disappear.

The process where Social Services clients are given regular sums of money to buy care packages, known as Direct Payments and Public Health are potentially huge fraud loss areas and new to local government. Yet again, the severing of benefits data will be highly detrimental to fraud detection in these areas.

The council receives numerous reports of Disabled Parking Blue Badge fraud, which often identifies potentially fraudulent claims for welfare benefits such as Disability Living Allowance (Mobility). Local Authorities are prohibited from investigating disability benefits, but the council currently works with FIS to ensure the entitlement to benefits and Blue Badges is correct. This source of referrals and joined up investigation is likely to cease under the SFIS proposals.

The extent to which local authority data could benefit a single investigation service should not be underestimated as those data sources are so wide ranging, from Education to Planning and Council Tax to Trading Standards.

6. Introduction of Local Enterprise Partnerships (LEP's) & localism

Local Enterprise Partnerships (LEP's) have been created to drive public sector growth and reduce administrative burdens. Under the localism agenda, there is likely to be a broader range of funding coming to local areas and to LEP's, albeit with local authorities being the accountable bodies for that funding. Therefore, despite localism expanding and new areas of fraud work being identified, the SFIS proposals are pushing a centralised approach to investigations – this just does not make sense and goes against the ethos of the localism agenda.

Currently, the DWP and LA's work in partnership to look at the totality of any benefit fraud offence. The current joint working is very effective, despite the reports that there are duplicate investigations – in reality there is no evidence to support this theory.

The National Fraud Initiative (NFI) data matching service has been widely recognised as being an effective way of detecting public sector fraud, so much so that following the demise of the Audit Commission; it has now been transferred to the Cabinet Office to continue the good work. The NFI has saved over £1 billion since its inception; however a

lot of the information that yields significant results will be lost. Not only will LA's lose much of the benefit of this extremely valuable exercise, they will no longer have the experienced resources to investigate the matches, again increasing the totality of public sector fraud.

I hereby request that you consider the council's concerns regarding the proposed implementation of the Single Fraud Investigation Service and share these concerns with your colleagues The Rt Hon Iain Duncan Smith MP (Secretary of the State Department for Works and Pensions) and The Rt Hon Eric Pickles MP in his role as Secretary of State for Communities and Local Government.

Should you have any queries or wish to discuss the matter any further I would be most willing to provide further information or meet you to talk through these issues.

Yours sincerely

Mr Mick Hayward

Chief Finance Officer

CC. Mark Reckless (MP),

Tracey Crouch (MP)

Cllr Rehman Chishti (MP)

Cllr Alan Jarrett, Finance Portfolio Holder

Cllr Sir Merrick Cockell, Chairman of the Local Government Association



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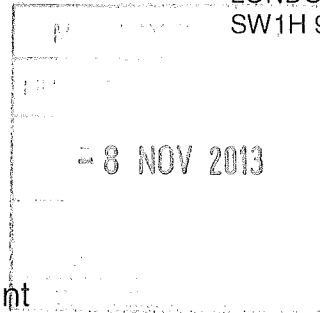
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5 November 2013

Dear Mick,

Thank you for your letter of 8 October on regarding the Single Fraud Investigation Service (SFIS).

At this stage the proposed way of working for the SFIS is a recommendation and we are currently considering the implications. I would like to assure you that we will continue to work closely with stakeholders on this matter.

Should you be interested in finding out more about the SFIS, information can now be found on the Knowledge Hub which is our principal method of contact regarding this issue.

You will need to register with the Knowledge Hub first if you are not already a member and then search under "Groups" and request to join the SFIS Communications Hub Group. Registration can be completed at <https://knowledgehub.local.gov.uk/home>.

In addition to the Knowledge Hub and updates in various newsletters and intranet pages, the Department is sometimes able to provide more detailed information about SFIS at conferences and events. you feel your team would benefit from this, please inform them that they can contact Sue Francis at (sue.francis@dwp.gsi.gov.uk) for more information.

If you have any further queries or questions you can also contact the team at SINGLEFRAUDINVESTIGATIONSERVICE-.QUERIES@DWP.GSI.GOV.UK

Yours sincerely,

Lord Freud

Minister for Welfare Reform