

**Single Fraud Investigation Service (SFIS)
Impact on Local Authority Fraud Investigations****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

This report provides information in relation to the Department for Work and Pensions (DWP) plans to form a Single Fraud Investigation Service (SFIS) and the impact locally on that decision.

There are plans to introduce a Single Fraud Investigation Service (SFIS) as part of the DWP organisation which provide a risk to local intelligence being lost and fraud/loss being overlooked in the local community due to the loss of investigative resource.

2 Background

- 2.1** Currently, HM Revenue and Customs (HMRC) have powers to investigate and prosecute Tax Credit fraud. The Department for Work and Pensions (DWP) and Local Authorities have powers to investigate and prosecute Social Security Benefit fraud.
- 2.2** The Welfare Reform Act 2012 allowed these individual powers to be aligned into a body that can investigate Social Security, Tax Credit and Universal Credit fraud. This body is the Single Fraud Investigation Service (SFIS) and has been set up under the control of the DWP from 2013.
- 2.3** In February 2011, Chief Executives from all Local Authorities were communicated with to inform them of the forthcoming Welfare Reform Bill and SFIS implications. In October 2011, the DWP engaged with Local Authorities in a consultation exercise and announced the results of that consultation exercise in December 2011. The decision from the DWP was:

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

The other options available were:

- **Option 2.** LA staff remain employed by LAs in LA estate but are seconded to the DWP;

- **Option 3.** LA staff become DWP employees but deliver investigation locally from the LA estate;
- **Option 4.** LA staff become part of the DWP working within DWP estate as employees.

2.4 On 5 December 2013, the Chancellor of the Exchequer announced as part of his autumn statement that SFIS will be launched solely within DWP as a single organisation and implementation will commence in 2014. Implementation plans including the rollout schedule are being developed and SFIS will be implemented on a phased basis from October 2014 – March 2016. Consideration is being given to operating a small number of test sites before that point.

2.5 The result of this decision will see Social Security Benefit investigations being carried out solely by the DWP and not by Local Authorities. Work is underway by DWP to ascertain whether TUPE Regulations apply to Local Authority staff which brings uncertainty and will delay proceedings.

2.6 The administration of Housing Benefit will remain within Midlothian Council until Universal Credit is implemented by the DWP. However, the investigation of Housing Benefit will transfer to the DWP when SFIS is implemented.

The administration of the Council Tax Reduction Scheme (previously Council Tax Benefit) remains the responsibility of Midlothian Council as does the investigation of any fraud or loss in this scheme.

2.7 There are currently 3FTE Fraud Officers in the staffing establishment, as well as 1FTE Revenues Assistant. In addition, a proportion of the Revenues Manager, Security and Systems, time is spent overseeing fraud related work. The future service provision encompassing the resourcing and impact of SFIS on the responsibility and resource is being reviewed under Integrated Service Support (ISS).

2.8 The Fraud investigation service being provided centrally rather than locally provides a risk to local intelligence being lost and fraud/loss being overlooked in the local community.

3 Report Implications

3.1 Resource

The current staffing establishment provision will be reviewed under Integrated Service Support (ISS).

3.2 Risk

There is a risk that Midlothian Council may not have the appropriate measures in place to prevent and detect fraud and corruption and so impact on my statutory duties, Section 95 of the Local Government (Scotland) Act 1973. The possible transfer of staff out of the establishment may mean the loss of experienced local investigation

staff to DWP. This will be mitigated against under the ongoing review being carried out by Integrated Service Support.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

3.4 Impact on Performance and Outcomes

To ensure the national Council Tax Reduction scheme is fully evaluated to prevent and detect fraud or loss and that local investigative resources are maintained.

3.5 Adopting a Preventative Approach

Having a robust fraud prevention and investigation service contributes to safeguarding the Council's financial resources, for delivery of service.

Ensuring public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

3.6 Involving Communities and Other Stakeholders

There is no opportunity for community or stakeholder involvement in this proposal. Affected staff will be consulted as appropriate.

3.7 Ensuring Equalities

An EQIA will be completed to assess any impact on employees.

3.8 Supporting Sustainable Development

This report does not contribute to supporting sustainable development.

3.9 IT Issues

There are no direct IT issues as a result of this report.

4 Summary

Plans to introduce a Single Fraud Investigation Service (SFIS) as part of the DWP organisation provide a risk to local intelligence being lost and fraud/loss being overlooked in the local community due to the loss of investigative resource.

5 Recommendations

It is recommended that Council:

- a) Note the contents of this report, and
- b) Receive further updates on the move to the Single Fraud Investigation Service in due course.

Date: 09 January 2014

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Background Papers:

- Appendix 1 - DCLG letter re Autumn statement – 5th December 2013
- Appendix 2 - DWP Update on SFIS – 6th December 2013
- Appendix 3 – Audit Commission Report – Protecting the Public purse



Letter from DCLG re
Autum Statement - 2013



SFIS Update -
20131206.doc



Protecting the public
purse - Audit Commis:

Declaration Box

Instructions: *This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.*

Title of Report: Single Fraud Investigation Service (SFIS)
Impact on Local Authority Fraud Investigations

Meeting Presented to: Midlothian Council

Author of Report: Gary Fairley, Head of Finance and Integrated Service Support

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.