

## **Single Fraud Investigation Service**

### **Purpose**

For direction.

### **Summary**

This report provides an update on developments relating to the Single Fraud Investigation Service.

### **Recommendation**

Members are invited to note and comment upon the issues raised in this report.

### **Action**

Officers to take forward in line with Members' steer.

### **Contact officer:**

Paul Raynes

### **Position:**

Head of Programmes

### **Phone no:**

020 7664 3037

### **Email:**

[paul.raynes@local.gov.uk](mailto:paul.raynes@local.gov.uk)

## **Single Fraud Investigation Service**

### **Background**

1. The Chancellor confirmed in the Autumn Statement that the Government intends to set up a new national fraud organisation - the Single Fraud Investigation Service (SFIS) - to tackle and prevent benefit fraud in the new benefits system. The Government intends SFIS to be mainly staffed by local fraud investigators currently working in councils.
2. The LGA robustly challenged the evidence upon which the decision to proceed was reached, and highlighted the potentially negative impact of a national organisation on councils' capacity to catch multiple fraud underpinned by local intelligence.
3. The Department for Work and Pensions (DWP) has announced a phased implementation between March 2014 and October 2016. A small number of sites will go live in the summer and phased implementation will start in October 2014 and run until March 2016. This means that SFIS will be operational before the majority of Universal Credit claimants are expected to have migrated in 2016/17.
4. The DWP wrote to council Chief Executives on 3 March setting out next steps with implementing SFIS. The letter sent to authorities in Phase 1 (the existing SFIS Pilot sites) is attached at **Appendix A** and the letter sent to Phase 2 councils (those sites rolling out from October 2014 onwards) is attached at **Appendix B**. They cover information about regional road shows for councils, the implementation timeframe and the human resources transfer approach. The letters also asks councils to submit information to DWP about benefit fraud teams that will inform further detailed planning for SFIS implementation.
5. As SFIS continues to develop at pace, officers will share the latest situation with Members at the meeting, including feedback from Sir Merrick Cockell's meeting with Lord Freud on 3 March, and the first meeting of the officer-level DWP SFIS Steering Committee on 10 March.
6. A related policy development is that the Department for Communities for Local Government (DCLG) has announced a £16.6 million fund over 2 years from 2014/15 for councils to tackle non-welfare fraud. The intention is that this fund will enable District Councils in particular to replace some of the investigation capacity lost by SFIS by enabling a much bigger push on corporate fraud. No decision has been taken yet on how to distribute the fund. Following consultation with councils, the LGA has submitted a proposal to Ministers suggesting that the fund is used to support councils to achieve a step-change in corporate fraud recovery rates, supported by elected member champions who will give additional focus and drive to tackling fraud. The LGA continues to encourage Ministers to join-up conversations on SFIS implementation with the DCLG anti-fraud fund.

### **Key Issues for councils**

7. **HR transfer** – DWP has decided that a TUPE-like statutory transfer scheme should be the legal mechanism by which staff are transferred from councils to DWP. The LGA is considering DWP's assertion that TUPE itself does not apply although we are pleased

that the DWP has indicated that the terms of the transfer scheme will be TUPE-like, with consequent protections for transferring employees' terms and conditions. The LGA is seeking to ensure that the mechanism and criteria for identifying those that transfer is appropriate and that the terms of the transfer provide certainty for our transferring employees consistent with similar transfers.

8. **Joint prosecutions** – We are concerned that councils' capacity to prevent, detect and catch fraud will be much reduced due to staff transferring to SFIS and that it will also be much harder to catch multiple fraud in a system where benefit fraud is investigated nationally, and in isolation from other types of fraud, which will still be the responsibility of councils. To mitigate this risk we need to ensure that it is possible to combine prosecutions for different offences. The DWP letter to Chief Executives states that all prosecutions arising from SFIS investigations will be conducted solely by the Crown Prosecution Service (CPS) and we are seeking confirmation that councils will be able to jointly prosecute with the CPS where there is also a need to prosecute a corporate fraud. Practitioners advise us that it is likely councils will need a new legislative power to underpin this. We are involved in the DWP's Joint Working Group which is looking at post-SFIS working arrangements.
9. **Roll out timetable and funding implications** – Each council will be allocated a month in the national implementation schedule between October 2014 and March 2016. DWP will shortly issue an implementation schedule and councils have been asked to provide supporting information on benefit teams that might influence when SFIS is implemented. Whether there is enough clarity to allow them to provide that information is debatable. Councils will be given an opportunity to liaise with the SFIS project team if they are given an unsuitable implementation date. We are discussing the funding implications for councils of the transition phase with DWP.
10. **Road shows** – it is positive that DWP is running nine events across England between 24 March and 8 May. DWP will share with councils the latest information on SFIS. An LGA officer or one of our anti-fraud advisers will be present at each road show.

#### **Next steps**

11. Subject to Members' steer, we suggest that Sir Merrick Cockell (LGA Chairman) writes to Lord Freud and Baroness Stowell to set out the LGA's view on next steps regarding SFIS, and the importance of joining this up with DCLG's wider push on fraud.

#### **Financial Implications**

12. This is core work for the LGA and will be contained within existing budgets.