

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

11th June 2012

**REPORT OF DIRECTOR OF REGENERATION
AND COMMUNITIES**

Report prepared by Stephen MCGinnes

1. Benefit Fraud Annual Report

1.1.1 Issue for Consideration

1.1.2 To consider the performance of the Benefit Fraud Team in 2011/12 in addressing the issue of benefits fraud.

1.2 Recommendation of Head of Revenues and Benefits

1.2.1 That the Committee notes the performance of the Benefits Fraud Team during 2011/12.

1.2.2 That the Committee notes the proposed changes to the delivery of the benefit fraud function from April 2013 and requests a further report to outline the detail of those changes and implications for the investigation of corporate fraud.

2. Reasons for Recommendation

2.1 Background/Introduction

2.1.1 The Fraud and Visiting Partnership was set up in April 2008, bringing together the teams from Maidstone Borough Council and Tunbridge Wells Borough Council.

2.1.2 The primary role of the team is the prevention and detection of housing benefit and council tax benefit fraud.

2.1.3 Maidstone Borough Council pays out £52 million per year in housing and council tax benefits to over 11,500 households.

2.1.4 The Benefit Fraud and Visiting team forms part of the Revenues and Benefits service and the staffing complement for 2011/2012 comprised:

0.6 Benefit Security Manager
4.6 Investigators
1.0 Compliance Officer
0.8 Clerical support

2.2 **How Benefit Fraud is detected and the results from 2011/2012**

2.2.1 Referrals are received from various sources, including data matching provided by the Department for Work and Pensions (DWP) against our systems and the National Fraud Initiative.

2.2.2 The table below gives details of the source of referrals.

SOURCE	NUMBER OF REFERRALS
Anonymous Information	154
DWP	60
Benefits assessor	128
Gateway	36
DWP data matching	76
Landlord	4
National Fraud Initiative (NFI)	32
Visit	11
Other	39
Total	540

Of these 305 were raised as investigations with the remainder either passed to the compliance officer for informal action or DWP Counter fraud service.

2.2.3 Results are measured on the number of sanctions applied (prosecutions, administrative penalties and cautions) and the monetary value of overpayments and weekly benefits savings.

2.2.4 In 2011/2012 there were 11 prosecutions, 11 administrative penalties and 4 cautions for MBC.

2.2.5 The total overpayments found valued £464,892.94 and the total face value of weekly benefit that ceased as a result was £7,518.53.

- 2.2.6 Historically, the methodology used by DWP, shows that, had it not been for the intervention, the fraud would have continued for a minimum of 32 weeks. The face value weekly saving is multiplied by 32 to reflect a true saving to the public purse, thus making a total of weekly benefit saving of £240,576.00.

The total monetary value of fraud found for MBC is £705,468.94, with a breakdown of the total financial savings for the Partnership at Appendix 1.

The Council have robust procedures to recover any overpayments of benefit and Administrative Penalties and the overall in year collection rate for benefit overpayments in 2011/2012 was 84%.

- 2.2.7 Fraud awareness training is delivered annually to front line Gateway staff, Contact Centre and assessors in an attempt to prevent fraud from entering the system. We cannot measure the success of this although the majority of our referrals do come from front line staff.

2.3 **Publicity**

- 2.3.1 The Council issues a press release, where appropriate, to highlight where a successful prosecution has been made for benefit fraud.

2.4 **The Future**

- 2.4.1 The Welfare Reform Act and introduction of Universal Credit will impact on the Fraud Investigation team from 2013. The Department for Work & Pensions will be responsible for the administration of the new Universal Credit and the investigation of fraud will transfer from the Council to a new Single Fraud Investigation Service that will also be operated by the Department for Work and Pensions.
- 2.4.2 Following an earlier consultation exercise the DWP have stated their intention is for staff to initially continue to be employed by the Council but undertake work in line with DWP policies and procedures. This represents an interim measure with the longer term intention being the full transfer of staff and unification of a single team within the DWP.
- 2.4.3 Given that Maidstone Borough Council will have an ongoing responsibility to investigate Council Tax Benefit Fraud, Single Person Discount Fraud and other forms of corporate fraud, the Head of Internal Audit and Head of Revenues and Benefits are currently exploring how the specialist investigation skills held within the benefit fraud team can be retained and used to provide a wider corporate saving. A business case will be created to support any future recommendation.

In the meantime, the service is actively involved in a number of wider counter fraud initiatives including tenancy fraud and council tax discounts fraud/error.

3 Alternative Action and why not Recommended

3.1 The council has a duty to protect the housing benefit system from fraud, for which it receives payment within the overall administrative grant received from the Department for Work and Pensions.

a. Impact on Corporate Objectives

The service supports the Council’s core values of delivering value for money service.

b. Risk Management

The service represents a key tool in combating the ongoing risk of benefit fraud and provides a specialist resource to support the wider investigation of fraud.

The future transfer and loss of this specialist resource to the DWP creates a risk that the Council will not have the skills and resources necessary to investigate the significant threat that will remain in relation to Council Tax Benefit, discounts and other forms of corporate fraud.

c. Other Implications

1.	Financial	X
4	Staffing	X
5	Legal	X
6	Equality Impact Needs Assessment	
7	Environmental/Sustainable Development	
8	Community Safety	
9	Human Rights Act	
10	Procurement	



Financial

The cost of delivering the service in 2011/2012 for Maidstone Borough Council was £197,129 with a total benefit saving of £705,468.94 achieved.

Staffing

The transfer of the Fraud function to the Department for Work and Pensions will impact on the staff employed within the service. Whilst further details are awaited regarding the new arrangements, the transfer of the function to the Department for Work and Pensions is a key task for the Revenues and Benefits Service.

Legal

There were 11 cases of fraud successfully prosecuted for benefit during 2011/2.

From April 2012 all cases involving a DWP benefit will be prosecuted by the Crown Prosecution Service on behalf of the DWP. As caseload transfers to Universal Credit it is anticipated that the services required of the in house legal team will reduce.

Conclusions

The fraud partnership has been effective in the investigation and sanction of benefit fraud.

The introduction of Universal Credit, creation of a new Local Council Tax Scheme and transfer of responsibility for fraud investigation to the Department for Work and Pensions represent a significant change to the operation of the service.

This change combined with the growing awareness of the potential value of corporate fraud, creates an opportunity for the Council to fundamentally review the resources required to manage the threat of fraud and how best a counter fraud service can be delivered, for which a business case is currently being developed.

Relevant Documents

Appendices

Appendix 1 - Summary of benefit savings.

Background Documents

National Fraud Authority - The Local Government Fraud Strategy

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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