

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MONDAY 15 JULY 2013

**REPORT OF DIRECTOR OF REGENERATION AND
COMMUNITIES**

Report prepared by Sheila Daly

1. BENEFIT FRAUD ANNUAL REPORT

1.1 Issue for Decision

1.1.1 To note the content of this report which provides a summary of the achievement of the Benefit Fraud Partnership, highlights forthcoming changes and the future of Welfare Reform.

1.2 Recommendation of Director of Regeneration and Communities

That the report be noted.

1.3 Reasons for Recommendation

1.3.1 The Fraud and Visiting Partnership was set up in April 2008, bringing together the two investigation teams from Maidstone & Tunbridge Wells. This has since been subsumed into a full Revenues & Benefits Partnership. The primary role of the team is the prevention and detection of Housing Benefit and Council Tax discount fraud and to work within the Anti Fraud Strategies.

1.3.2 Maidstone Borough Council pays out over £55 million in Housing and Council Tax discounts to over 12,000 households.

1.3.3 The Fraud and visiting team staffing complement for the Partnership for the majority of 2012/13 comprised:

0.6 Manager

4.6 Investigators

1.0 Compliance /visiting officer

0.8 Clerical support

However for the last 2 quarters the investigation officers reduced to 2.6 and the clerical support officer was on maternity leave for 3 quarters.

The staffing cost to MBC was £116k

- 1.3.4 How Benefit fraud is detected and the results for 2012/13.
- 1.3.5 Referrals are received from various sources including data matching provided by the Department for Work & Pensions and the National Fraud Initiative. In 2012/13 484 referrals were received for MBC and of these 230 were raised as investigations. The remainder were either passed to the compliance officer for non – criminal informal action or to the DWP Counter Fraud Service for them to investigate further.
- 1.3.6 Results are measured on the number of sanctions applied (Prosecutions, Administrative Penalties and Cautions) and the monetary value of overpayments and weekly benefit savings.
- 1.3.7 In 2012/13 there were 23 sanctions for MBC with a further 10 cases still in the legal system but not finalised. The value of these cases are not included in the following figures:
- Total overpayments found valued £284,572
Total face value of weekly benefit saved £5,878. 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 so this figure should be multiplied by 32 to reflect a true saving to the public purse, thus making a total weekly saving of £188,114.
- 1.3.8 The sample National Fraud Initiative data matching into Single Person discount in July 2012 highlighted savings of £90,907.
- 1.3.9 The total monetary value of fraud found through the local team is therefore £563,594.28.
- 1.3.10 The Council has robust procedures to recover overpayments and penalties and the in year collection rate for benefit overpayments was 76.9%.
- 1.3.11 The team also carried out a much larger exercise with Capita Government Services on the rest of the Single Person database and the results will be available at the next committee meeting.
- 1.3.12 Appendix 1 shows a comparison table against some other Kent authorities on achievement and costs.
- 1.3.13 The number of investigations and how they are registered differs from each authority. MBC & TWBC have a full time compliance officer so those referrals that do not score high enough to be full criminal files are still counted as investigations but are not suitable for sanction because an informal approach is made from the outset.

1.3.14 Also fraud action on referrals where the overpayment is under £600 is not taken, however the overpayment is still recovered. This lower limit was set as the policy as it is not considered cost effective to sanction cases for less than this amount given the resources involved.

The Future

1.3.15 The implementation of the Welfare Reform Act and the Single Fraud investigation Service will impact on the team. DWP will be responsible for the administration and investigation of Universal Credit. It is anticipated the Fraud function will transfer in April 2014.

1.3.16 This will leave core functions remaining, the new Local Council Tax scheme including discounts and premiums and any other corporate fraud issues. The Audit Commission publication "Protecting the Public Purse" addresses the future situation and recommends councils are prepared to address the risks in new and emerging fraud, for example Business rates, Discounts on empty homes and Tenancy Fraud.

1.3.17 A business case is currently being completed to assess the feasibility of extending the MBC/TWBC Fraud shared service to encompass Swale BC. It is intended to provide resilience with a core experienced team to investigate the functions that remain with the councils.

1.4 Alternative Action and why not Recommended

1.4.1 The Committee could choose not to receive this annual report but that would limit the Committee's ability to review the performance of the fraud service and would fail to ensure effective arrangements are in place.

1.5 Risk Management

1.5.1 The service represents a key tool in combating the ongoing risk of fraud. A full risk assessment will be undertaken regarding the proposed transfer to the DWP Single Fraud Investigation service.

1.6 Other Implications

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment

X
X

- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.6.1 Staffing will inevitably need to reduce when the administration of benefit payments transfer to the DWP. It is anticipated this will be by 2017.

1.6.2 The CPS will be responsible for prosecuting Universal Credit cases therefore the removal of HB/CT Benefit prosecutions is likely to impact on the legal services' workload.

1.7 Conclusions

1.7.1 The Benefit Fraud service and the partnership arrangement in which it operates maximises income and manages finances effectively and complies with the established best practice.

1.8 Relevant Documents

1.8.1 Appendices Appendix 1 – comparative performance statistics

<u>IS THIS A KEY DECISION REPORT?</u>	<u>THIS BOX MUST BE COMPLETED</u>
No	<input type="checkbox"/>
If yes, this is a Key Decision because:	
.....	
Wards/Parishes affected:	
.....	