

**MAIDSTONE BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**14 JULY 2014**

**REPORT OF DIRECTOR OF MID KENT SHARED SERVICES**

**Report prepared by Filmer Wellard**

**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 Mid Kent Shared Services

1.2.1 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 2013/14 comprised:

0.5 Manager  
3.6 Investigators  
1.0 Compliance/visiting officer  
0.8 Clerical support

However, one of the Investigators was on maternity leave and did not return to her employment when her leave ended.

The staffing cost to MBC was £116k.

#### 1.3.4 How Benefit fraud is detected and the results for 2013/14.

- 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 2013/14 445 referrals were received for MBC and of these 178 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 2013/14 there were 14 sanctions comprising 6 Prosecutions 6 Cautions and 2 Administration Penalties for MBC with a further 8 cases still in the legal system but not finalised. The value of these cases are not included in the following figures:  
Total overpayments found were valued £209,123.73. This also includes overpayments identified by Compliance and cases where no Sanction action was taken.
- 1.3.8 Total value of weekly benefit reduction over the year was £4,797.68. Historically the methodology used by DWP shows that, had it not been for the intervention, the fraud and weekly payments 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 saving of £153,525.76.
- 1.3.9 The National Fraud Initiative biannual data matching into Housing and Council Tax benefit/Support in February 2013 highlighted savings of £61,895.79.
- 1.3.10 The total monetary value of fraud found through the local team is therefore £424,545.28.
- 1.3.11 The return on investment for the Fraud Team is 3.65 (which is the total monetary value divided by the salary cost).
- 1.3.12 The Council has robust procedures to recover overpayments and penalties and the year collection rate for benefit overpayments was 71.18%.
- 1.3.13 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.

### 1.3.14 The Future

1.3.15 Due to the introduction of the Single Fraud Investigation Service and the reduction of staff across the three Councils, Maidstone, Tunbridge Wells and Swale, the shared service has been approved, and is currently at the point of consultation before implementation. This is to give the Councils some resilience during the period until the Single Fraud Investigation Service is rolled out locally.

1.3.16 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 all welfare benefits from the date of roll out until the introduction of Universal Credit. It is now known that roll out of the Single Fraud Investigation Service will start nationally from October 2014 and will continue until April 2016. The roll out date for the three authorities is 1<sup>st</sup> March 2016.

1.3.17 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.

1.3.18 A business case is currently being completed to assess the feasibility of the staff that will be required to remain with the shared service employed by the Local Authorities after the implementation of SFIS.

### 1.4 Alternative Action and why not Recommended

1.4.1 The committee could choose not to receive the 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

1.6.1

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

1.6.2 Financial – It is anticipated there will be no change to finances as a result of entering the shared service with Swale. There may be a reduction in staff with the implementation of SFIS. As stated a report is being undertaken at this time to see what requirement of investigation will be required after SFIS is implemented.

1.6.3 Staffing – This is dependent on the requirements after the implementation of SFIS but it is also anticipated that staff may look for safer employment prior to SFIS implementation.

1.6.4 Legal – With the implementation of SFIS Local Authority Staff will not be legally authorised to undertake fraud investigations into welfare benefits. This will result in the cessation of prosecution cases being referred to Legal. All such cases will be dealt with by The Crown Prosecution Service. It is not known what, if any contact CPS may have with Local Authority Legal Teams.

1.7 Background Documents

1.7.1 None

**NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED**

Is this a Key Decision?      Yes          No   

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

Is this an Urgent Key Decision?    Yes          No   

Reason for Urgency

[State why the decision is urgent and cannot wait until the next issue of the forward plan.]