

## **Agenda Item 8**

**Report to: Audit Committee 27 September 2012**

### **Fraud Investigation Team Update**

#### **Introduction**

1. Following on from questions raised at the last meeting and in subsequent discussions with some members of the committee, this note is aimed at addressing the value for money point raised, and explains the options under consideration for the future, given that government has announced that a single fraud investigation service is being established in tandem with the introduction of Universal Credit and other welfare reforms.

#### **The Fraud Investigation Team**

2. The council has had a fraud investigation team for over ten years, as councils were encouraged and incentivised by government to establish such teams, given the relatively significant level of fraudulent benefit claims in the welfare system. Council fraud investigation teams are typically small, but act as a valuable resource and deterrent.
3. Ashford's fraud team is part of the Fraud and Visiting Team and with the team leader has two other investigator posts, plus some clerical support. Additionally, there are two council tax and business rates visiting officers, managed by the team leader, with wider responsibility than counter fraud.
4. Actual levels of fraud resource have been below the three posts principally focused on counter fraud counter due to vacancy management and maternity leave arising. Excluding the team leader post, over the last financial year (April 2011 to March 2012) one full-time equivalent (FTE) Investigator Post was vacant, leaving one FTE Investigator in post. A new Investigator started in March 2012 and has nearly completed the full training needed. One FTE Investigator started maternity leave in April 2012. A temporary member of staff is employed to cover this and started in June 2012. So, there are currently 2 FTE Investigators, plus the Team Leader.
5. The budget for staffing, including overheads is £157,270.

#### **Housing & Council Tax Benefit**

6. At the previous meeting and in reply to a member's question there was some discussion about how the monetary value of the team's work could be assessed to provide a value-for-money comparison.
7. This report uses the method previously adopted by the Department of Work and Pensions, which formed the basis of their value-for-money judgements, and incentive reward payments to councils in the past (this was called 'weekly benefit savings - WBS'). Although the WBS incentive

and reward payments no longer apply the method was well established and used the basis that fraudulently claimed payments would, on average, run undetected for a period of 32 weeks – this being the DWP's assessment following national research.

8. Therefore, for all claims cancelled or amended over last financial year an amount of weekly benefit saving was calculated by multiplying the cancelled amount by 32 to provide a 'weekly benefit saving' equivalent. This results in the following savings:

**April 2011 to March 2012** - Total WBS = £128,729.16

**April 2012 to August 2012** – Total WBS = £23,263.00 (the reasons for this being lower at this time is partly due to the staffing position, and to the emphasis given on tenancy fraud – see below).

9. The WBS calculation is a notional saving, but nevertheless a good indicator of the value of a fraud team.
10. As explained in the report to the last meeting a varying proportion of the monies recovered through successful identification of an overpayment relating to a fraudulent claim is retained by the council. The council also has the power of Caution; the ability to issue Administration Penalties, and the ability to prosecute. It has been successful in this regard. Further details are set out in the June report.
11. Other non-monetary benefits would also need to be taken into account, including the unquantifiable benefits of the presence of an expert counter fraud team, the publicity provided in the local press to successful prosecution work, and how all of this is perceived and valued by residents, landlords, and claimants.

### **Tenancy Fraud**

12. The calculation used in this report for tenancy fraud savings is that applied by the Audit Commission (Audit Commission Report - 'Protecting the Public Purse', November 2011) which states that it typically costs a local authority a minimum of £18,000 per year to administer and house a family in Bed & Breakfast/or a minimum of £110,000 for a new build.
13. Due to the national economic position the number of people currently accommodated in Bed & Breakfast in Ashford is higher than seen in recent years.

#### **April 2011 to March 2012**

2 properties recovered following investigation by the fraud team  
2 applications for Housing refused following investigation by the fraud team

#### **April 2012 to August 2012**

5 properties recovered  
2 cases under notice for keys to be returned

1 case, arrest & search, joint HB & Tenancy Fraud, in court 27/09/12  
14 cases currently under investigation

14. Tenancy fraud investigations take more time and resource than Housing & Council Tax Benefit investigations, but the potential financial loss and opportunity to the Council is greater if not tackled. Also the issue of tenancy fraud has gained even greater emphasis with the current government and its welfare reforms. Investigation should be made more efficient when tenancy fraud is criminalised in the coming months
15. This is also an area that can be expanded into Registered Social Landlords (RSLs) with their agreement. Whilst RSLs would benefit, the council would also gain from such action with RSLs as we have nomination rights, thus potentially reducing our Bed & Breakfast placements or waiting list.

### Summary

16. April 2011 to March 2012 - Total savings £200,729.16

Housing & Council Tax Benefit savings (notional WBS) = **£128,729.16**  
Properties recovered (notional) = 2 x £18,000 = **£36,000**  
Housing applications refused (notional) = 2 x £18,000 = **£36,000**

17. **April 2012 to August 2012 (5 months) = Total savings £116,263.00**

Housing & Council Tax Benefit savings Notional WBS = **£23,263.00**  
Properties recovered (notional) = 5 x £18,000 = **£90,000**  
Housing applications refused (notional) = 0

18. The combination of this report with its approach to assessing value-for-money, and the previous report demonstrate that the staffing effort is giving good value to the council and its taxpayers. Indeed there is a question, particularly with the welfare reforms (including, a new localised council tax support scheme, and changes to housing tenancy conditions) and the forthcoming business rates retention scheme for more emphasis on counter fraud to be considered.
19. This, however, comes at a time when with the government's welfare reforms, part of the fraud team's work will transfer to central government into the proposed Single Fraud Investigation Service (currently expected from 2015).

### Future options under consideration

20. With all of the above change happening, management is considering the future options for the counter fraud team. It is clear the team has worked well for the benefit of the council and the taxpayer and there is a larger scope of work it could tackle. Accordingly, the following options are under consideration with conclusions expected to be reported to management team in the New Year.

- a) Devote more resource to tenancy fraud (including with RSLs) and other fraud investigation work (council tax and business rates related)
  - b) Combine the fraud team with another or other councils' fraud teams
  - c) As 2 above, but as part of the Mid-Kent Audit Partnership
  - d) To consider creating an arms-length staff mutual or company style arrangement to permit the development of an even wider focus
  - e) See a transfer of resource to the Single Fraud Investigation Service and downsize the team and its work accordingly.
21. As stated, conclusions will be reported to the management team and its recommendations may then need to be reported to cabinet during the first quarter of 2013.

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