

**Fraud and Compliance Team update**

<b>Final Decision-Maker</b>	Audit Governance and Standards Committee
<b>Lead Director</b>	Stephen McGinnes Mid Kent Services Director
<b>Lead Officer and Report Author</b>	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Classification</b>	Public/Private
<b>Wards affected</b>	All

**Executive Summary**

To update the Committee on work undertaken by the Revenues and Benefits Fraud & Compliance team.

**Purpose of Report**

Noting

**This report makes the following recommendations to this Committee:**

That the contents of the report are noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit Governance and Standards Committee	16 March 2020

# Fraud & Compliance team update

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities.	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Cross Cutting Objectives</b>	None	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Risk Management</b>	This report is presented for information only and has no risk management implications.	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Financial</b>	The Fraud & Compliance team receives funding from Kent County Council of £136,620 (on expected 3:1 savings). The cost to Maidstone Borough for the service is £23k	Section 151 Officer & Finance Team
<b>Staffing</b>	There are no changes to staffing proposed in this report	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Legal</b>	<ul style="list-style-type: none"> <li>• It is a function of the Audit, Governance and Standards Committee to monitor the effectiveness of Council's counter-fraud and corruption Strategy.</li> <li>• This report provides an update on the work undertaken by the Revenues and Benefits Fraud &amp; Compliance team.</li> <li>• There is no statutory duty to report regularly to Committee on the Team's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its</li> </ul>	Keith Trowell, Team Leader (Corporate Governance), MKLS

	functions are exercised having regard to a combination of economy, efficiency and effectiveness. Reports on the Team's performance assist in demonstrating best value and compliance with the statutory duty.	
<b>Privacy and Data Protection</b>	Accepting the recommendations will not increase the volume of personal data held by the Council.	Anna Collier Policy and Information Manager
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Anna Collier Policy & Information Manager
<b>Public Health</b>	No impact	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Crime and Disorder</b>	No impact	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership
<b>Procurement</b>	No impact	Sheila Coburn Head of Mid Kent Revenues and Benefits Partnership

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 The purpose of this report is to advise the Committee of the work undertaken by the Fraud & Compliance team within the Revenues and Benefits Partnership.
- 2.2 In 2016 the responsibility for investigating Housing Benefit fraud was moved from the Council's Housing Benefit service to the Department for Work and Pensions (DWP).
- 2.3 The Council took the decision to continue with a shared fraud team as part of Mid Kent Services using the team to investigate fraud and error within Council Tax and Business Rates.
- 2.4 The localisation of Council Tax Support and reliance on Business Rates as

an income for the authority changed the financial risk to the Council and preceptors. Whilst there had been some activity to address the risk associated with single person discounts for Council Tax, the service had historically focused its efforts on Housing Benefit.

- 2.5 The transfer of the Housing Benefit fraud function to the DWP created both a risk and opportunity to the Council. With the administration of Housing Benefit and Council Tax Support being directly linked the Council had in effect been able to 'police' the two systems at the same time. With the removal of Housing Benefit and the investigation resource that was deployed with it, this had the potential to leave Council Tax Support and therefore Council Tax exposed to fraud with no identified resource to investigate or deter fraud.
- 2.6 The change also created an opportunity in releasing a team of experienced specialist staff, with good local knowledge, to both manage the ongoing risk within Council Tax Support and deliver capacity to expand their work into other areas both within the Council Tax and Business Rates system.
- 2.7 With the value of discounts and exemptions estimated at £16million and the risk of customer fraud high, agreement was reached with the support of the precepting authorities to fund the current team on the understanding that there would be a suitable return on investment.
- 2.8 The agreed business case set out a method of sharing the cost and projected savings in line with the value to each partner based on their level of precept.

#### 2018/19 Outturn

- 2.9 The work programme for 2018/19 included activity aimed at addressing fraud and error within the Council Tax system (single person discount), Business Rate system (small business rate relief) and maximising the income to partner authorities through new homes bonus.
- 2.10 Small Business Rate Relief is awarded businesses where businesses only occupy one property with a Rateable Value under £51,000.
- 2.11 New Homes Bonus is a grant paid to councils by Central Government to reflect and incentivise housing growth.
- 2.12 It is based on the amount of extra Council Tax revenue raised for new homes, conversions and long term empty properties brought back into use.
- 2.13 Table 1. Summary of savings generated 2018/19

Small Business Rates Relief	£41,848
Single person discount	£82,779
Charities	£17,870
New homes bonus	£562,800
National Fraud Initiative (Council	£57,066

Tax Reduction)	
Penalties	£280
<b>Total</b>	<b>£762,643</b>

#### 2019/20 Outturn (to date)

- 2.14 The focus in the current year has been on the new release of National Fraud Initiative data and small business rate relief accounts, whilst a new system is being implemented for the monitoring of single person discounts.
- 2.15 The team finished working on the New Homes Bonus project in October. This has been a really worthwhile exercise for the team, with no additional costs apart from postage and a few credit checks being incurred. For Maidstone, 147 properties were found to be occupied. The number of properties is multiplied by £1,400 to give the final results of the exercise amounting to savings of £205,800.
- 2.16 Table 2. Summary of savings generated across the 3 authorities by the team 2019/20 to date

Small Business Rate Relief	£248,877
Single Person Discount	£6,580
New Homes Bonus	£543,200
National Fraud Initiative (Council Tax Reduction and Single Person Discount)	£248,795
Housing Benefit Matching Service (HBMS)	£54,597
Penalties	£2,520
<b>Total</b>	<b>£1,104,569</b>

- 2.17 In 2018-19 penalties were introduced where those residents who do not report changes or who fraudulently make claims will be issued with a penalty of £70. The number of penalties issued has increased in 2019-20.
- 2.18 In conjunction with the Kent Intelligence Network (KIN) software has been partly funded by Kent County Council with a view to share information with other authorities in Kent to help reduce fraud and error in the county.
- 2.19 We are proposing to use this software in 2020-21 to further increase the savings that can be identified.

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### **3 AVAILABLE OPTIONS**

- 3.1 Option 1 - The Council could decide not to have a Fraud and Compliance team and to leave any reviews of Council Tax and Business Rates

discounts and reviews to the Revenues team. This is not recommended given that the team has demonstrated a return on the funding by Kent County Council by more than the required 3:1.

- 3.2 Option 2 - The Council continues to have a Fraud & Compliance team to ensure it has a dedicated resource to address fraud and error.
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#### **4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Option 2 is the preferred option for the reasons stated.
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#### **5 RISK**

- 5.1 This report is presented for information only and has no risk management implications.

#### **6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 None
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#### **7 REPORT APPENDICES**

- 7.1 None
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#### **8 BACKGROUND PAPERS**

- 8.1 None