

**REPORT TO: POLICY & RESOURCES COMMITTEE – 27 APRIL 2015**

**REPORT ON: ESTABLISHMENT OF A CORPORATE FRAUD TEAM**

**REPORT BY: DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 180-2015**

## **1.0 PURPOSE OF REPORT**

1.1 To secure approval to establish a Corporate Fraud Team.

## **2.0 RECOMMENDATIONS**

2.1 It is recommended that a Corporate Fraud Team is established with effect from 1 June 2015 as set out in Appendix 1 and is transferred from the Revenues Division to the Internal Audit Service.

## **3.0 FINANCIAL IMPLICATIONS**

3.1 The DWP has intimated that its annual administration grant will be reduced by £37M in 2016/17 for those UK local authorities that will transfer benefit fraud investigation to the Department for Work & Pensions' Single Fraud Investigation Service by 31 March 2016, which includes this Council. It is estimated that the Council will lose approximately £100,000 in administration grant.

3.2 The DWP have confirmed that a small amount of additional funding is to be made available to local authorities through the Scottish Government for the transition to non-Benefit counter-fraud work. It is anticipated that this council will receive £15,000.

3.3 It is not known if the Scottish Government will provide an administrative grant for Council Tax Reduction (CTR) investigations when the DWP administered grant is reduced.

3.4 The cost of the proposed Corporate Fraud Team would be £140,000 including on costs. The current revenue budget provision for the Fraud Team is £188,000. Taking together the combined cost of the Corporate Fraud Team and the loss in DWP Administrative Grant funding, it is estimated that an additional £52,000 will require to be added to the Corporate Services Department Revenue Budget in a full financial year with effect from 2016/17.

## **4.0 MAIN TEXT**

4.1 The Council currently investigates Housing Benefit fraud. Responsibility will transfer to the Department for Work & Pensions Single Fraud Investigation Service (SFIS) on 1 June 2015. The investigation of Council Tax Reduction (CTR) fraud will remain with the Council.

4.2 A review of the future investigation of Council Tax Reduction and other non-benefit fraud has been carried out and it is proposed to establish a Corporate Fraud Team and for this Team to be based within the Council's Internal Audit Service. Responsibility for the Corporate Fraud Team would rest with the Chief Internal Auditor.

- 4.3 The team currently consists of 1 Fraud Revenues Officer, Grade 9, 3 Benefit Fraud Officers, Grade 8 and 2 Benefit Fraud assistants, Grade 5. It is proposed that the new team will comprise 1 Corporate Fraud Supervisor and 3 Corporate Fraud Investigation Officers. The 2 Benefit Fraud Assistant posts would transfer to the Single Fraud Investigation Service in June 2015.
- 4.4 As noted above, there is still a requirement for the Council to investigate CTR fraud to maximise the Council's income. CTR is funded by the Council and the Scottish Government and does not attract subsidy.
- 4.5 For the current financial year, there have been, to date, 18 successful outcomes for CTR fraud cases, which have generated approximately £7,400 of additional Council Tax income.
- 4.6 Time spent investigating Housing Benefit fraud will stop once it transfers to SFIS. Investigators will therefore spend more time investigating CTR fraud, which may increase the caseload and the amount of fraud identified.
- 4.7 In February 2014, a report (Report Number 61-2014, Policy & Resources Committee, 10 February 2014) recommended the implementation of a Corporate Fraud & Corruption Policy and a Benefits Sanction Policy. In approving this Policy, it allowed the Counter Fraud team to investigate fraud referrals in non-benefit cases, such as Council Tax, Housing tenancies and Blue Badge.

Audit Scotland's "benefits performance audit annual update 2013/14 makes specific reference to Dundee City Council's Corporate Fraud and Corruption policy and a Corporate Fraud Action Plan as good practice.

- 4.8 For the current financial year, the Fraud Team have also been investigation non-benefit fraud cases, including Council Tax Discounts & Exemptions, Blue Badge and Dundee City Council Housing Tenancy frauds, with success in every area. As at 31 December, 2014, the following successful outcomes have been achieved by the team:-

Council Tax Discounts & Exemptions - 46 - increasing income to the Council by £40,998.31,

Blue Badge - 8 - all badges returned, with one individual being prosecuted and

Housing Tenancy Fraud - 4 - bringing back these properties to the Housing Department for re-letting.

- 4.9 The Fraud Team acts as a strong fraud deterrent. The current team has successfully promoted an anti-fraud culture over many years, with prosecutions resulting in local publicity. The value of fraud prevention cannot be easily determined but there is no doubt that a reduction in fraud investigations increases the risk of fraud being perpetuated.

## **5.0 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

**6.0 CONSULTATIONS**

The Chief Executive, Head of Legal and Democratic Services and Trade Unions have been consulted.

**7.0 BACKGROUND PAPERS**

None

**MARJORY STEWART**  
**DIRECTOR OF CORPORATE SERVICES**

**DATE** \_\_\_\_\_

**APPENDIX 1**

**CURRENT BENEFITS INVESTIGATING STRUCTURE**

<b>Number of FTE Posts</b>	<b>Designation</b>	<b>Grade</b>
1	Fraud Revenues Officer	9
3	Benefit Fraud Officers	8
2	Benefit Fraud Assistants	5

**PROPOSED CORPORATE FRAUD TEAM**

<b>Number of FTE Posts</b>	<b>Designation</b>	<b>Grade</b>
1	Corporate Fraud Supervisor	9
3	Corporate Fraud Investigations Officers	8