

Anti-Fraud Team 2014/15 – End of Year Report

1. Introduction

This report sets out the achievements of the Council's Anti-Fraud Team in 2014/15 and outlines a proposed re-structure of the Council's fraud investigation resources in light of the creation of the Single Fraud Investigation Service (SFIS).

The report also introduces the revised Anti-Fraud, Sanctions and Prosecution Policy which has been updated in light of changes made by the Department for Work & Pensions to their sanction policy.

The Anti-Fraud Team conducts fraud investigations for both Sevenoaks District Council and Dartford Borough Council under a shared service arrangement. This report only relates to work completed by the Anti-Fraud Team on behalf of Sevenoaks District Council.

2. Background

The Anti-Fraud Team performs two main roles for the Council:

- 2.1 investigates instances of alleged benefit fraud which may require joint investigations with officers from the Fraud and Error Service at the Department for Work & Pensions (DWP); and,
- 2.2 assists the Council in highlighting instances of fraud which could adversely affect the level of taxes/income it collects/receives.

3. Performance

Benefit Fraud

Sevenoaks District Council administers the payment of Housing Benefit (and previously Council Tax Benefit (until 1st April 2013 when it was replaced by Council Tax Support)) on behalf of the Department for Work & Pensions (DWP). Claimants can be eligible to receive Housing Benefit due to the fact that they are on a low income or receive 'pass-ported' entitlement because they are eligible to receive certain other DWP benefits such as Income Support, Job Seeker Allowance etc.

Fraud therefore can either be present directly within the Housing Benefit caseload or be introduced via a DWP pass-porting benefit. This means that local authority investigators have to attain a knowledge and understanding of not only local authority administered benefits, but also pass-porting DWP benefits.

During 2014/15 fraud investigators working on behalf of Sevenoaks District Council discovered £320,803 of overpaid Housing Benefit (HB) and £39,504 in overpaid Council Tax Benefit (CTB). The overpaid Council Tax Benefit was retrospective benefits paid out by Sevenoaks District Council prior to 01.04.2013. This is the highest level of HB & CTB fraud discovered by Sevenoaks DC investigators since the shared service partnership began in September 2010 and is a 25% increase of the fraud levels discovered last financial year.

Sevenoaks District Council has a very strong anti-fraud culture and is committed to protecting valuable public funds wherever possible. In 2014/2015 The Anti-Fraud Team

successfully prosecuted 7 benefit fraud offenders and issued a further 3 Formal Cautions and 2 Administrative Penalties.

Council Tax Fraud

Council Tax Support (CTS)

On 1st April 2013 Council Tax Benefit (CTB) was replaced by Council Tax Support (CTS). Council Tax Benefit was a Social Security benefit and was administered under Social Security legislation, however, Council Tax Support is a Council Tax discount administered under the Local Government Finance Act and local authorities bear far more of the impact of fraud in this area than ever before.

In 2013/14 Sevenoaks District Council investigators discovered £1,482 in CTS fraud (as it was relatively new), however, in 2014/15 the fraud discovered figure rose to £20,183. This is a significant rise especially in light of the fact that the Single Fraud Investigation Service (see point 4) will not be responsible for the investigation for CTS fraud and this responsibility will remain with the local authority.

Council Tax Discounts & Exemptions

In 2014/15 the Anti-Fraud Team has continued to support colleagues in the shared Revenues Service by releasing fraud investigation resources to pro-actively seek out Council Tax payers who were incorrectly claiming discounts on their Council Tax bills by falsely stating that they were the only eligible adult in their household.

Last financial year the Anti-Fraud Team discovered 55 incorrectly awarded discounts which allowed the Revenues Department to re-bill SDC tax payers for a further £49,323. An end-of-year audit of the discounts removed showed that the majority remained removed and the authority was seeking a further £19,371 in Council Tax which if it were not for the intervention of the Anti-Fraud Team would probably still have been written off as discounts.

This exercise was started by the Anti-Fraud Team in October 2012 and to date has assisted Sevenoaks DC in removing 229 incorrectly awarded discounts and allowed the Council to issue amended bills requesting a further £198,991 in Council Tax payments. This is the actual amount of Council Tax income and does not take into account any future effect of the discount being removed.

Cost Benefit Analysis 2014/15

	Total £	SDC Anti- Fraud £	
Expenditure:			
Partnership with DBC	184,843	92,422	Costs of the Anti-Fraud Team are split 50:50 with Dartford BC.
Income:			
HB & CTB Admin Grant	(496,010)	(37,746)	DWP's proposed HB & CTB Admin Grant reduction due to SFIS. Used as a proxy for the proportion
Fraud discovered:			
Housing Benefit (HB)	(320,803)	(128,321)	SDC receive additional subsidy of 40% of overpayments discovered
Council Tax Benefit (CTB)	(39,504)	(15,802)	SDC receive additional subsidy of 40% of overpayments discovered
Council Tax Support (CTS)	(20,183)	(2,422)	SDC receive 12%
Deterrent Factor		(73,273)	Assume 50% of HB, CTB & CTS fraud. See (a) below.
Uncollected Estimate		65,945	Assume 30%. See (b) below.
CT Discounts	(49,323)	(5,919)	SDC receive 12%
Uncollected estimate		41	Assume 0.7% as Council Tax collection rate is 99.3%
Net Position		(105,075)	

- (a) We can assume an additional 50% deterrent factor. Probably 95% of current fraud is a failure to report a change in circumstances. £320,803 of overpaid HB was discovered by the Fraud Team during 2014/15. SDC actually raised some £1,224,539 in recorded HB overpayments during 2014/15 (figures obtained from HBRF returns). SDC has an approx. HB caseload of 7000 cases. If we have conducted 100 investigations for the last 10 years then 1/7 of claimants have had some direct contact with the Fraud Team and have hopefully been educated in the art of promptly reporting changes. Therefore you could assume that the Fraud Team had a direct impact on generating the £320,803, but also 50% extra indirectly on people reporting changes to the local authority.
- (b) The DWP rate of recovery is approximately £10 per week. So any overpayments over £5000 would take 10 years to recover and therefore it is unlikely that it will

all be paid. In 2014/2015 the Fraud Team discovered 52 cases of overpaid benefit. 18 of these were over the £5,000 mark (35%), but some will be recovered quickly (for example capital cases) and so a 30% uncollected estimate has been assumed. Of the £380,490 raised in HB, CTB and CTS overpayments during 2014/2015 some £71,000 has already been recovered.

4. The Single Fraud Investigation Service

In December 2013, The Chancellor of the Exchequer confirmed in his autumn statement, the creation of a Single Fraud Investigation Service (S-FIS) which is designed to bring together the expertise of welfare benefits investigators from local authorities, the Department for Work & Pensions and Tax Credits investigators from Her Majesty's Revenues and Customs into one body operating within the Department for Work & Pensions.

The transfer of local authority investigation staff to S-FIS commenced in October 2014 and will be completed by March 2016. Sevenoaks District Council's investigation staff are eligible to transfer to S-FIS in February 2016. If the whole team transfers, then the Council will be left with no capacity to investigate fraud of any kind after the transfer date. The Council therefore needed to consider how it identified, managed and otherwise mitigated risks of fraud without this resource, particularly in relation to Council Tax fraud for which responsibility will remain with the Council.

In 2014/15 Sevenoaks District Council allowed Council Tax Single Person discounts totalling £5,709,466 and awarded Council Tax Support claims totalling £5,767,011. It is the responsibility of Sevenoaks District Council to take reasonable steps for the prevention and detection of fraud and other irregularities. In light of this Sevenoaks District Council has been working closely with its partner Dartford Borough Council to draw up plans to create a Corporate Fraud Team, which from 01.02.2016 will cover the fraud areas not covered by the Single Fraud Investigation Service.

5. Priorities for 14/15

Benefit Fraud Investigations

Sevenoaks District Council will still be responsible for the investigation of Housing Benefit fraud and post-dated Council Tax Benefit fraud until 31.01.2016. The local authority's fraud investigation workload will be migrated to the new Single Fraud Investigation Service and a single point of contact (SPOC) set up within the local authority so that S-FIS investigation staff can have access to local authority databases for future benefit fraud investigations.

Corporate Fraud Team

The new Corporate Fraud Team will predominately concentrate its efforts on areas of Council Tax fraud, but will slowly spread its re-mit into all areas within local government which are susceptible to fraud. The residual resource will also be required to support the following:

- The Council will also continue to receive monthly data match reports from the Housing Benefit Matching Service until Universal Credit is fully implemented;

- National Fraud Initiative (NFI) exercise;
- Referrals from the Kent wide data matching hub;
- DCLG Transparency Code – annual reporting of anti-fraud resources and fraud detection figures;
- DPA information requests.