

## Counter Fraud & Compliance Team 2016/17 - End of Year Report

### 1. Introduction

This report is to update the Audit Committee on the work undertaken by the Counter Fraud & Compliance Team for the year ending 31 March 2017.

### 2. Background

Local authorities administer the Council Tax and Business Rates local taxation schemes which part fund the services provided by local government. Local authorities also administer the Housing Benefit and Council Tax Reduction schemes which support and protect the most vulnerable groups in our society. It is imperative that these schemes are fair and transparent and appropriate action is taken against participants which do not abide by the rules and obtain reliefs and allowances which they are not entitled to.

Last year Sevenoaks District Council awarded a total of £6,056,914 in Council Tax Single Person discounts and processed Council Tax Reduction claims amounting to £5,502,214.

Sevenoaks District Council has a zero tolerance to all forms of fraud and corruption. The creation of the new Counter Fraud & Compliance Team and re-locating it to the Revenues & Benefits Service has been seen as a huge success as strategies and procedures which protect the public purse have been thoroughly reviewed and assurance in the validity of claims and allowances much improved.

The next section outlines some of the changes employed in the last financial year which go to protect valuable public funds.

### 3. Assurance

A new risk-based verification (RBV) process has been implemented within the Benefits Service, with new claims and reported changes which have been deemed of a higher risk of containing irregularities, being vetted by specialist investigation staff to highlight discrepancies and potential fraud.

Counter Fraud & Compliance staff are on hand to offer face-to-face support and advice to all Revenues & Benefit staff in relation to suspicious new benefit and Council Tax discounts and exemption claims.

Sevenoaks District Council has taken advantage of financial support from the Council Tax major preceptors by investing in the latest credit reference technology which allows us to vet all of our discounts, exemptions and allowances data on a regular basis for fraud and irregularities. In addition to this Sevenoaks District Council has signed up to a Kent-wide data matching initiative which allows for data-matching across districts to highlight cross-borough fraud and irregularities.

Review strategies have been tightened and amended to identify a higher level of incorrect claim or allowance both in the Benefits and Revenues Teams.

A penalty and sanction regime has been developed and introduced which penalises claimants and tax payers which have been proven to have abused the schemes which are there to protect the vulnerable groups within our society.

#### 4. Successes

Pro-active work conducted by the Fraud & Compliance Team and a robust review strategy have successfully adjusted 147 Council Tax Single Person discounts, 36 Council Tax Reduction claims and 6 Council Tax exemptions. The table below shows both the actual loss (which has to be repaid by taxpayers) as well as a projection of future losses (which would have been incurred if the irregularity was not discovered):

	Actual Loss (being repaid by taxpayers)	Projected Additional Loss (if the irregularity had not been discovered)					
		1 Month	2 months	3 months	6 months	12 months	24 months
Council Tax Single Person Discounts/ Council Tax Reduction Claims	£102,683	£7,584	£15,168	£22,752	£45,504	£91,008	£182,016
Council Tax Exemptions	£11,838	£608	£1216	£1,824	£3,648	£7,296	£14,592
Totals	£114,521	£8,192	£16,384	£24,576	£49,152	£98,304	£196,608

For example, if it were not for the pro-active action by the Fraud & Compliance Team and the effects of the review strategy the £114,521 loss would have escalated to a total loss of £163,673 after 6 months.

The review strategy has a knock-on effect to related Housing Benefit claims, the value of Housing Benefit payments reduced is outlined below:

	Value of Adjustment
£ of HB claims Removed after review	£95,613

## 5. Cost Benefit Analysis 2016/17

	Total £	SDC Counter Fraud & Compliance £	
Expenditure:			
Gross Expenditure - Partnership with DBC	<b>201,918</b>	<b>100,959</b>	Costs of the Counter Fraud & Compliance Team are split 50:50 with Dartford BC.
External contributions from Major Preceptors	<b>(124,332)</b>	<b>(62,166)</b>	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	<b>77,586</b>	<b>38,793</b>	
Fraud discovered:			
Council Tax Discounts/Council Tax Reductions	<b>(102,683)</b>	<b>(12,322)</b>	SDC receive 12%
Council Tax Exemptions	<b>(11,838)</b>	<b>(1,421)</b>	SDC receive 12%
Housing Benefit Overpayments	<b>(95,613)</b>	<b>(38,245)</b>	SDC receive additional subsidy of 40% of overpayments discovered
Future savings/Deterrent Factor		<b>(5,898)</b>	Assume a 26 week future benefit element of which SDC receives 12 %. See (a) below.
Uncollected Estimate (HB)		<b>11,474</b>	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		<b>96</b>	Assume 0.7% as Council Tax collection rate is 99.3%
Net Position		<b>(7,703)</b>	

- (a) External funding organisations allow us to record a 26 week future benefit element. This is an assumption that the fraud/error would have continued for an average of 26 weeks after the intervention of the Fraud & Compliance Team. See first table in section 4 of this report.
- (b) We are assuming a non recovery rate of 30% in HB overpayments and 0.7% in Council Tax related savings.

## **6. Housing Benefit Fraud**

The jurisdiction for the investigation and prosecution of Housing Benefit fraud cases passed from Sevenoaks District Council to the Department for Work & Pensions in February 2016.

Sevenoaks District Council still administers Housing Benefit claims on behalf of the Department for Work & Pensions and as such has an important role in keeping fraud & error losses within Housing Benefit cases to a minimum and supporting the Single Fraud Investigation Service by providing documentation and information held on Housing Benefit claims.

During 2016/17 the Fraud and Compliance Team dealt with 92 requests from local DWP investigators well within the specified timeframes set by the service level agreement and successfully answered all follow-up enquiries.

## **7. Future Developments**

The Counter Fraud & Compliance Team's first year based within the Revenues & Benefits Service has been very successful. In the coming years we will continue to forge an even closer relationship with Revenues & Benefit colleagues and to evolve the anti-fraud strategies first established in February 2016. The team is constantly reviewing and developing the information it receives from the credit reference technology purchased in October 2016.

The team continues to provide help and advice to all departments within Sevenoaks District Council in relation to fraud related issues and more specifically in relation to criminal investigations and the legislation behind them.