

## **Anti-Fraud Team 2015/16 – End of Year Report**

### **1. Introduction**

This report is to update the Audit Committee on the work undertaken by the Anti-Fraud Team for the year ending 31 March 2016 and confirms the creation of a new Counter Fraud & Compliance Team following the transfer of benefit fraud work to the Department for Work & Pensions Single Fraud Investigation Service on 1 February 2016.

### **2. Background**

The Anti-Fraud Team was established on 1 September 2010 combining the Benefit Fraud Investigations Teams from Sevenoaks District Council and Dartford Borough Council as part of a wider partnership arrangement joining the two Councils' Audit, Fraud, Revenues and Benefits services together.

Based within the shared Audit, Risk & Fraud Team, the team predominately investigated allegations of benefit fraud on behalf of the two local authorities with any residual resources being dedicated to assisting with issues of Council Tax fraud.

In December 2013 the Chancellor of the Exchequer announced the creation of the Single Fraud Investigation Service (SFIS) within the Department for Work & Pensions to investigate all welfare benefit fraud under a single remit. The transfer of local authority investigation staff to S-FIS commenced in October 2014 (and was completed in March 2016), with Sevenoaks District Council passing responsibility for the investigation of Housing Benefit fraud to the Single Fraud Investigation Service on 1 February 2016.

Sevenoaks District Council is committed to providing an effective anti-fraud service which is supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the council and by ensuring that effective measures are in place to prevent, detect, investigate and report that public money is spent where it should be, on services for the community.

Failure to investigate fraud will see money leaving the Council by way of fraud or error and failure to tackle this effectively could lead to loss of revenue for the council and loss of reputation. Sevenoaks District Council has taken the opportunity to retain some of the specialist investigative resources from the Anti-Fraud Team, which were due to transfer to S-FIS and created a new Counter Fraud & Compliance Team. More detail can be found in section 4 of this report.

### **3. Performance**

#### **Benefit Fraud**

Housing Benefit overpayments identified by fraud investigations during the period 1 April 2015 to 31 December 2015 amounted to £330,608 and £105,733 has been recovered.

Council Tax Benefit overpayments identified by fraud investigations during the period 1 April 2015 to 31 December 2015 amounted to £21,025 and £10,312 has been recovered.

Eight benefit fraud offenders were successfully prosecuted and a further three claimants were issued with formal cautions.

Additional revenue of £22,192 has also been generated as a result of Administrative Penalties accepted by customers following fraud investigations.

### Council Tax Fraud

Council Tax Support overpayments identified by fraud investigations during the period 1 April 2015 to 31 March 2016 amounted to £36,264 and £20,873 has been recovered.

Pro-active initiatives in relation to Council Tax discounts yielded additional revenue of £9,231.

### Cost Benefit Analysis 2015/16

	Total £	SDC Anti- Fraud £	
<b>Expenditure:</b>			
Partnership with DBC	<b>196,209</b>	<b>98,105</b>	Costs of the Anti-Fraud Team are split 50:50 with Dartford BC.
<b>Income:</b>			
HB Admin Grant & LCTS grant	<b>(453,900)</b>	<b>(34,542)</b>	DWP's proposed HB Admin Grant reduction due to SFIS. Used as a proxy for the proportion
<b>Fraud discovered:</b>			
Housing Benefit (HB)	<b>(330,608)</b>	<b>(132,243)</b>	SDC receive additional subsidy of 40% of overpayments discovered
Council Tax Benefit (CTB)	<b>(21,025)</b>	<b>(8,410)</b>	SDC receive additional subsidy of 40% of overpayments discovered
Council Tax Support (CTS)	<b>(36,264)</b>	<b>(4,352)</b>	SDC receive 12%
Deterrent Factor		<b>(72,503)</b>	Assume 50% of HB, CTB & CTS fraud. See (a) below.
Uncollected Estimate		<b>65,252</b>	Assume 30%. See (b) below.
CT Discounts	<b>(9,231)</b>	<b>(1,108)</b>	SDC receive 12%
Uncollected estimate		<b>8</b>	Assume 0.7% as Council Tax collection rate is 99.3%

Net Position		(89,792)	

- (a) We can assume an additional 50% deterrent factor. Probably 95% of current fraud is a failure to report a change in circumstances. £330,608 of overpaid HB was discovered by the Fraud Team during 2015/16. SDC actually raised some £1,511,909 in recorded HB overpayments during 2015/16 (figures obtained from HBRF returns). SDC has an approx. HB caseload of 5,000 cases. If we have conducted 100 investigations for the last 10 years then 1/5 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 £330,608, 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 £5,000 would take 10 years to recover and therefore it is unlikely that it will all be paid. In 2015/16 the Fraud Team discovered 54 cases of overpaid benefit. 16 of these were over the £5,000 mark (30%), but some will be recovered quickly (for example capital cases) and so a 30% uncollected estimate has been assumed. Of the £387,897 raised in HB, CTB and CTS overpayments during 2015/16 some £136,918 has already been recovered.

#### 4. The Counter Fraud & Compliance Team

In March 2016 The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Local Government Counter Fraud and Corruption Strategy 2016 - 2019, a follow-up to the Fighting Fraud Locally Strategy published in 2011. CIPFA warned that the £2.1 billion annual loss to local government fraud could be a gross under estimation and areas such as Council Tax fraud and Tenancy fraud were singled out as areas of concern.

Key messages highlighted within the report were:

- Local authorities should adopt an 'invest to save' approach in respect of their counter fraud resources.
- Councils need to look in the right areas, by taking a risk based approach to identify fraud.
- Councils should keep ahead of fraudsters by utilising innovation and implementing robust systems to prevent fraud entering the system in the first place.

One FTE investigator from the shared service Anti-Fraud Team transferred to S-FIS on 1 February 2016, leaving 1 FTE Counter Fraud Manager and 2 FTE Counter Fraud Officers to create the new shared service Counter Fraud & Compliance Team.

Drawing upon the results of successful Council Tax fraud initiatives in the past it was decided to locate the new team within the shared service Revenues & Benefits Department to assist in creating a robust fraud & error compliance strategy which protects the Council's Local Taxation income base. The team will deal with all aspects of external fraud such as Council Tax discount & exemption fraud and Business Rates relief fraud. All internal fraud matters will continue to be dealt with by officers from the shared service Audit Department.

The Council Tax major preceptors have been extremely supportive of this change providing funding and support in relation to this work with talks continuing to seek further investment in sustainable systems to tackle fraud and corruption which will allow resources to remain in areas supporting people who desperately need them.