

## Counter Fraud &amp; Compliance Team 2018/19 - 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 2019.

**2. Background**

The Fraud & Compliance Team has been purposely located within the Revenues & Benefit Department as the value of discounts, exemptions, reductions and allowances allowed by the varying teams within this service far exceed any of those given by any other department within the Council.

A summary of the larger allowances provided by Revenues & Benefits are as follows:

	<b>Value Allowed 2018/19 (£m)</b>
Council Tax (Single Person Discount)	<b>6.429</b>
Council Tax (Property Exemptions)	<b>2.858</b>
Council Tax (Council Tax Reduction)	<b>6.837</b>
Business Rates (Small Business Rate Relief)	<b>4.010</b>

Sevenoaks District Council is committed to supporting and assisting the most vulnerable groups within its district and further to support small businesses to grow and build a healthy and thriving local economy.

The Fraud & Compliance Team's primary role is to work closely within the Revenues and Benefits Service to ensure that the discounts, exemptions, reductions and allowances given are only awarded to those persons/businesses which are entitled to them. Further to this the team will instigate action against those deemed to have abused or not followed the correct rules within each scheme.

**3. Successes****Business Rates**

During 2018/19 Sevenoaks District Council issued Business Rates bills totalling over £36m. The Fraud & Compliance Team has forged even closer links with Business Rates billing officers throughout 2018/19 to fulfil the following three objectives set at the beginning of the year:

- Identifying businesses which have not registered themselves to pay Business Rates
- Identifying business premises which have changed and therefore more Business Rates should be paid
- Identifying businesses which are claiming Small Business Rate Relief, but due to their set-up should not be entitled to this relief.

The table below shows the results of work conducted by the Business Rates Team & the Fraud & Compliance Team in respect of these three key areas:

	<b>Additional Tax Charged (£) 2018/19</b>
Businesses found incorrectly claiming Small Business Rate Relief	<b>136,000</b>
Business Premises not registered for tax/found to have altered requiring an additional charge	<b>156,000</b>

## Council Tax

Section 2 of this report showed that Sevenoaks District Council allowed over £16.1m in Council Tax discounts and Council Tax exemptions during 2018/19. The Fraud & Compliance Team has put in place processes and procedures which are specifically designed to highlight incorrect claims within this area.

The team co-ordinates the authority's annual participation in the Council Tax National Fraud Initiative which aims to highlight incorrect claims for Council Tax Single Person Discount by matching Council Tax data with Electoral Registration data.

The Fraud & Compliance Team, backed by funding from the Council Tax major preceptors, invests funds into the latest credit data matching software which allows potential false discount claims to be investigated.

The results achieved by the team last financial year are as follows:

## Appendix A

	Monetary Savings	Projected Additional Tax Payer 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	£67,382	£4,130	£8,260	£12,390	£24,780	£49,560	£99,120
Council Tax Exemptions	£30,107	£2,535	£5,070	£10,140	£20,280	£40,560	£81,120
Totals	£97,489	£6,665	£13,330	£22,530	£45,060	£90,120	£180,240

### Housing Benefit

Local authorities administer Housing Benefit on behalf of the Department for Work & Pensions (DWP), although Housing Benefit fraud is investigated by DWP fraud investigators.

On 1 February 2019 the DWP and the Council re-commenced joint working on fraud cases which allows the two bodies to investigate alleged benefit fraud offences along side Council Tax offences.

The Fraud & Compliance Team co-ordinate reviews of Housing Benefit claims in order to confirm that the correct entitlement is being awarded. This work has produced the following results:

	Value of Adjustment
£ of HB claims Removed after review	£39,167

#### 4. Cost Benefit Analysis 2018/19

The table below charts the cost of the Counter Fraud Team versus the benefits derived from the savings attained. Section 1 shows the net cost of the Sevenoaks DC related work is £40,904, Section 2 shows the Sevenoaks DC related savings and Section 3 is adjustments for uncollectable elements. In terms of Sevenoaks work there is a surplus of £14,345 and in terms of the overall work of the team, the surplus is £19,129.

	Total £	SDC Element £	
<b>Section 1 Expenditure</b>			
Gross Expenditure - Partnership with DBC	<b>206,140</b>	<b>103,070</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>81,808</b>	<b>40,904</b>	
<b>Section 2 Fraud discovered (SDC):</b>			
Council Tax Discounts/Council Tax Reductions	<b>(67,382)</b>	<b>(8,086)</b>	SDC receive 12%
Council Tax Exemptions	<b>(30,107)</b>	<b>(3,613)</b>	SDC receive 12%
Housing Benefit Overpayments	<b>(39,167)</b>	<b>(15,667)</b>	SDC receive additional subsidy of 40% of overpayments discovered
Small Business Rate Relief (SBRR) Investigations	<b>(69,519)</b>	<b>(27,808)</b>	SDC receive 40%
<b>Section 3 Adjustments (SDC):</b>			
Future savings/Deterrent Factor		<b>(5,407)</b>	Assume a 26-week future benefit element of which SDC receives 12%. See (a) below.
Uncollected Estimate (HB)		<b>4,700</b>	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		<b>171</b>	Assume 1.46% as Council Tax collection rate is 98.54%
Uncollected estimate (Business Rates)		<b>461</b>	Assume 1.74% as Council Tax collection rate is 98.26%
Net Position (Surplus/Deficit)		<b>(14,345)</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 3 of this report.
- (b) We are assuming a non-recovery rate of 30% in HB overpayments, 1.46% in Council Tax and 1.74% in Business Rates related savings.

### 5. Future Developments

Sevenoaks District Council is part of the Kent Intelligence Network (KIN). KIN drives anti-fraud initiatives across the Kent local authorities. In 2019/20 Sevenoaks District Council will be working closely with KIN on the following initiatives:

- Finding properties not registered to pay Council Tax
- Business Premises not registered to pay Business Rates
- Data-matching exercises to highlight false claims for Council Tax discounts & exemptions and Business Rates reliefs.