

## Counter Fraud &amp; Compliance Team 2019/20 - 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 2020.

**2. Background**

The Counter Fraud & Compliance Team is a team of officers specially trained to investigate instances of fraud and financial irregularity. It is purposely located within the Revenues & Benefit Department to assist in reviewing the validity of discounts, exemptions, reductions and allowances allowed by the Business Rates, Council Tax and Benefit Assessment Teams. The team also provides general advice and assistance to all other departments in relation to anti-fraud matters.

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

The Counter Fraud & Compliance Team has made big strides in recent years in increasing its support to the Business Rates Team in relation to anti-fraud matters. In 2018/19 Sevenoaks District Council joined a Kent wide initiative designed to highlight fraud within the area of Small Business Rate Relief and thereby increase the revenue that the authority can collect.

This year the Counter Fraud & Compliance Team has been able to build on those early successes by working closely with the Kent Fraud Hub (the Kent Intelligence Network) to expand enquiries into the area of businesses which have deliberately failed to register themselves to pay the business tax. Sevenoaks District Council and the Kent Intelligence Network have had great success in identifying numerous commercial units which should have been paying Business Rates.

The table below shows the financial impact on the local authority of this work over the last three financial years:

	2017/18	2018/19	2019/20
<b>Number of cases Adjusted</b>	0	13	69
<b>Increase in tax yield (£)</b>	0	135,786	533,401
<b>Increase in net revenue (£)</b>	0	135,786	210,123
<b>Increase in next years net revenue (£)</b>	0	35,042	119,156

The tax yield is the gross amount that the authority would issue bills for, but some units/businesses are eligible for reliefs or exemptions, for example Small Business

Rates Relief (SBRR). SBRR attracts a 100% reduction in the annual charge and so the rate payer pays no tax for the year. So work conducted by the Counter Fraud Team resulted in £533,401 more in bills being issued with a net effect of £210,123 more revenue being attained. An important point to remember is that once a unit is registered for Business Rates the preceptors will benefit from additional revenue in subsequent years. The £119,156 figure in the previous table shows an estimate of the potential increase in Sevenoaks District Council's tax revenue for 2020/21 from the work conducted in 2019/20.

## Council Tax

The Counter Fraud & Compliance Team continues to support the Council Tax Team in preventing, detecting and investigating erroneous claims for Council Tax discounts and exemptions. Sevenoaks District Council participates in all of the government led anti-fraud initiatives as well as creating pro-active local programmes in collaboration with our Kent partners through the Kent Intelligence Network.

The Council Tax related results achieved by the team last over the past three financial years are as follows:

	2017/18	2018/19	2019/20
Number of cases Adjusted	130	118	163
Increase in tax yield (£)	111,252	97,490	128,169
Increase in net revenue (£)	111,252	97,490	128,169

## 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.

When local authority investigation officers review the claims made by Council Tax Reduction recipients there is a high probability that those same claimants are also receiving help with their rent, i.e. Housing Benefit.

The table below shows that impact of local authority investigations on Housing Benefit claims over the last three financial years:

	2017/18	2018/19	2019/20
Number of Housing Benefit claims adjusted	24	15	18
Value of Housing Benefit Removed (£)	74,018	39,167	87,412

#### 4. Cost Benefit Analysis 2019/20

The table below compares the cost of the Counter Fraud & Compliance Team in 2019/20 with the financial benefits derived from the savings attained in anti-fraud exercises they conducted on behalf of the local authority. Assumptions are made with respect to uncollectable elements in respect of Council Tax and Housing Benefit overpayments. The comparison shows a surplus of £70,679.

	Total £	SDC Element £	
<b>Section 1 Expenditure</b>			
Gross Expenditure - Partnership with DBC	219,595	109,798	Costs of the Counter Fraud & Compliance Team are split 50:50 with Dartford BC.
External contributions from Major Preceptors	(110,453)	(55,247)	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	<b>109,102</b>	<b>54,551</b>	
<b>Section 2 Fraud discovered (SDC):</b>			
Council Tax Investigations	(128,169)	(14,739)	SDC receive 11.5%
Housing Benefit Overpayments	(87,412)	(34,965)	SDC receive additional subsidy of 40% of overpayments discovered
Business Rates (net)	(210,123)	(84,049)	SDC receive up to 40%
<b>Total</b>	<b>(425,704)</b>	<b>(133,753)</b>	
<b>Section 3 Adjustments (SDC):</b>			
Future savings/Deterrent Factor		<b>(4,382)</b>	Assume a 26-week future benefit element of which SDC receives 11.5%. See (a) below.
Uncollected Estimate (HB)		10,490	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		88	Assume 0.6% as Council Tax collection rate is 99.4%
Uncollected estimate (Business Rates)		2,327	Assume 2.57% as Business Rates collection rate is 97.43%
<b>Total Adjustments</b>		<b>8,523</b>	
<b>Net Cost/(Surplus)</b>		<b>(£70,679)</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, 0.6% in Council Tax and 2.57% in Business Rates related savings.

## **5. Future Developments**

The Counter Fraud & Compliance team will continue to strive to use the technology available to discover residential properties not registered to pay Council tax and business units which fail to register themselves to pay Business Rates as well as assisting the authority in reaching its goal of eradicating fraud and corruption within the organisation.