

## **Counter Fraud & Compliance Team 2021/22 – 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 2022.

### **2. Background**

Sevenoaks District Council's Council Plan states that 'everything we do is built on excellence; value for money and innovation'.

The Counter Fraud & Compliance Team is a team of specially trained officers who investigate instances of fraud & financial irregularity and assist the authority in reviewing external related fraud matters.

The team strives to ensure that financial support provided to local residents and businesses is correct and they use the latest technology to highlight fraud and error within our databases.

### **3. Counter Fraud work programmes 2021-22**

#### **Covid-19 Business Support Grants**

Although much reduced 2021/22 saw local businesses still being adversely impacted by restrictions caused by lockdowns in relation to the Covid-19 pandemic. Central government again turned to local authorities to co-ordinate the distribution of several different types of business support grants. This continued to be a major undertaking for the authority, requiring officer participation from numerous teams spanning several Council departments. The Counter Fraud & Compliance Team again supported the programme with expertise in risk assessment, pre/post-payment checks and investigation of suspicious applications.

As the business support grant schemes evolved over time the level of pre-payment checks demanded of local authorities intensified with all grant applications in 2021/22 having to be passed through a central government checking tool to confirm their authenticity. This process was co-ordinated by the Counter Fraud & Compliance Team and validated the applicant's bank account details as well as verifying their company & trading status.

During 2021/22 Sevenoaks District Council distributed £7.5 million (1,492 recipients) in business support grants, this was on top of the £37.5 million (7,093 applicants) distributed during 2020/21.

The Counter Fraud & Compliance Team continues to support the exercise now by working with central government departments to provide pre-payment validation evidence on randomly selected cases as part of a comprehensive review of the exercise.

#### **Business Rates**

2021/22 was the fourth year in succession during which the Counter Fraud & Compliance Team was able to assist Sevenoaks District Council by running successful

counter fraud exercises which resulted in an increase in Business Rates revenue for the authority.

Utilising data-matching technology as well as working in partnership with colleagues at Kent County Council's Counter Fraud Team the team was able to identify more commercial properties which were not registered to pay Business Rates or where circumstances had changed and they were paying too little tax.

Over the past four years campaigns run by the Counter Fraud & Compliance Team have generated additional Business Rates revenue amounting to in excess of £800,000. The table below shows in detail the results of the last three years work:

	2019/20	2020/21	2021/22
<b>Number of cases Adjusted</b>	69	25	21
<b>Increase in tax yield (£)</b>	533,401	306,317	329,479
<b>Increase in net revenue (£)</b>	210,123	236,704	225,641

## Council Tax

The Counter Fraud & Compliance Team and the Council Tax Department have a long running history of successful collaboration ensuring that Council Tax discounts & exemptions are correctly applied to accounts and changes in residents' circumstances are identified, reviewed and applied where appropriate.

Continual verification and validation of key Council Tax discounts, such as the Single Person Discount, is made problematic by the sheer number of awards which are in place (Sevenoaks DC has around 15,000 live Single Person Discount awards at any one time).

The Counter Fraud Team relies heavily on the assistance of technology to run verification campaigns for discounts & exemptions, but manual case-by-case checking techniques are also employed.

The following technological developments/changes have occurred during the 2021/22 period:

- The credit based Council Tax Single Person Discount checking tool used by Sevenoaks DC for the past 5 years was withdrawn from service by its external provider.
- The Counter Fraud Team has collaborated with Counter Fraud Teams across Kent to identify an alternative product which allows the authority to recommence checking Council Tax Single Person Discount awards utilising credit reference data.

- With assistance from the Councils Data Protection Officer the relevant documentation and processes were put in place to enable this effective counter fraud measure to be re-established.

During 2021/22 the Counter Fraud Team commenced a comprehensive review of the larger (& most expensive) Council Tax exemptions. The review had the following aims & objectives:

- To establish the key characteristics of each exemption and devise the most efficient manual checking process which would identify unreported changes quickly and efficiently.
- Databases have been created for the main exemptions so the date that checks are carried out can be recorded, periodically new awards can be added and old exempt awards can be removed.
- Working papers have been created outlining the principles behind the checking processes which are reviewed on an annual basis.

The Counter Fraud Teams work in relation to Council Tax discount & exemptions have achieved the following results over the past three financial years are as follows:

	2019/20	2020/21	2021/22
<b>Number of cases Adjusted</b>	163	148	177
<b>Increase in tax yield (£)</b>	128,169	216,269	213,466
<b>Increase in net revenue (£)</b>	128,169	216,269	213,466

### 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.

Sevenoaks District Council has an active Service Level Agreement with the Department for Work & Pensions which allows collaborative joint working between the two Counter Fraud departments. This work is slowly increasing having been majorly impacted by the Covid-19 pandemic.

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

	2019/20	2020/21	2021/22
Number of Housing Benefit claims adjusted	18	5	7
Value of Housing Benefit Removed (£)	87,412	39,605	33,744

#### 4. Cost Benefit Analysis 2021/22

The table below compares the cost of the Counter Fraud & Compliance Team in 2021/22 with the financial benefits derived from the savings attained in counter 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 £87,218.

	Total £	SDC Element £	
<b>Section 1 Expenditure</b>			
Gross Expenditure - Partnership with DBC	201,642	100,821	Costs of the Counter Fraud & Compliance Team are split 50:50 with Dartford BC.
External contributions from Major Preceptors	(99,962)	(49,981)	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	<b>101,680</b>	<b>50,840</b>	
<b>Section 2 Fraud discovered (SDC):</b>			
Council Tax Investigations	(213,466)	(23,481)	SDC receive 11%
Housing Benefit Overpayments	(33,744)	(13,498)	SDC receive additional subsidy of 40% of overpayments discovered
Business Rates (net)	(225,641)	(90,256)	SDC receive up to 40%
Total	<b>(472,851)</b>	<b>(127,235)</b>	
<b>Section 3 Adjustments (SDC):</b>			
Future savings/Deterrent Factor		<b>(18,380)</b>	Assume a 52-week future benefit element of which SDC receives 11%. See (a) below.

Uncollected Estimate (HB)		4,049	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		349	Assume 1.9% as Council Tax collection rate is 98.1% (in year)
Uncollected estimate (Business Rates)		3,159	Assume 3.5% as Business Rates collection rate is 96.5%
Total Adjustments		<b>(10,823)</b>	
Net Cost/(Surplus)		<b>(£87,218)</b>	

- (a) External funding organisations allow us to record a 52-week future benefit element. This is an assumption that the fraud/error would have continued for an average of 52 weeks after the intervention of the Fraud & Compliance Team.
- (b) We are assuming a non-recovery rate of 30% in HB overpayments, 1.9% in Council Tax and 3.5% in Business Rates related savings.

## **5. Future Developments**

Plans for 2022/23 include increasing the amount of joint working investigations conducted with the Department for Work & Pensions and expanding the use of the new data-matching tool for Council Tax Discounts.

The Counter Fraud & Compliance Team will be heavily involved in the project to distribute the new £150 Council Tax Rebate payment and re-conciliation/evidence validation exercise for the Business Support grants.