

Counter Fraud & Compliance Team 2022/23 – 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 2023.

2. Background

The Counter Fraud & Compliance Team is based within the Revenues & Benefits Section at Argyle Road and has been part a shared service with Dartford Borough Council for over 12 years.

As outlined in the Council's Counter Fraud & Corruption Strategy the team consists of officers trained to investigate instances of fraud & financial irregularity and assist the authority in reviewing external related fraud matters.

Sevenoaks District Council is part of the Kent Fraud Hub, called the Kent Intelligence Network (KIN), which strives to utilise the latest techniques and technology to identify fraud & error within local authority databases.

3. Counter Fraud work programmes 2022-23

Cost of Living Support Payments

This is the third year in a row that local authorities have been asked by central government to co-ordinate the distribution of funds to support varying groups within society in relation to differing national emergencies.

For the past two years local authorities have supported the distribution of funds relating to the support of local businesses, but during 2022-23 our attention was turned to support for the cost of living crisis.

In April 2022, the government announced a package of support for local residents in relation to spiralling energy costs, one of which was the Council Tax Energy Rebate (CTER) award. CTER consisted of a £150 payment one-off payment to most households in Council Tax bands A to D (as long as they occupied the property on the 1st April as their sole or main residence). As local authorities hold all data in relation to Council Tax payers it was a natural choice to seek assistance from local Council Tax Sections across the country in relation to the distribution of this funding.

The table shows a breakdown of the payments distributed by Sevenoaks District Council:

	Number of awards	£
Funding paid direct into a bank account	21,997	3,299,550
Funding paid into a Council Tax a/c	5,715	857,250
Totals	27,712	4,156,800

The CTER package was designed to get money direct into energy payers' bank accounts so they could have direct access to it and utilise it in the most appropriate way. In the majority of cases Council Tax was paid via Direct Debit and so a verified bank account was easily identifiable, however, thousands of tax payers used alternative methods to pay their bills meaning that bank account details were unknown. Therefore it was necessary to set up an application process whereby tax payers could apply and supply appropriate bank details at the same time.

Naturally any monetary scheme is prone to fraud, therefore, the Counter Fraud & Compliance Team's main role within this exercise was checking the validity of the bank details provided. It was imperative that the local authority could be confident that the money was going to the correct tax payer and not to an impostor pretending to be that person. Overall the team had to check over 7,500 applications to ensure their validity and prevent fraud.

In February 2023, the government announced two more energy payment support schemes. The first, called the Energy Bills Support Scheme Alternative Fund (EBSSAF) was for energy consumers who had not already received their £400 EBSS payments. These are the consumers who do not have a direct relationship with an electricity supplier as such had not had their rebates paid through direct credits onto their electricity accounts.

The second, called the Alternative Fuels Payment Alternative Fund (AFPAF) concerned a £200 support payment to those energy consumers who heated their homes via an alternative fuel method, for example, heating oil.

Local authorities have assisted central government vetting applications for both schemes by confirming the authenticity of applications against Council Tax databases. The Counter Fraud Team, drawing upon its experience of previous support fund schemes, has taken a lead role in this exercise to reduce the burden of work on frontline Revenues staff.

Business Rates

The Counter Fraud Team, supported by referrals received from the Kent Intelligence Network, has been able to support the Council by highlighting discrepancies within the Business Rates database, which when resolved, have resulted in an increase in Business Rates revenue for the authority.

These exercises include identifying commercial properties which have not registered themselves for the payment of Business Rates and identifying registered businesses who are incorrectly claiming reliefs such as Small Business Rates Relief.

The table below shows the results of our work in the last three years:

	2020/21	2021/22	2022/23
Number of cases Adjusted	25	21	39
Increase in tax yield (£)	306,317	329,479	303,753
Increase in net revenue (£)	236,704	225,641	142,708

Council Tax

In the 2021/22 report to the committee it was confirmed that the Counter Fraud & Compliance Team had, in collaboration with all of the other Kent local authorities, procured a new credit data-matching tool to check the validity of the authority's 15,000+ Council Tax Single Person Discount awards.

The new technology became operational in May 2022 and the team have been working hard to set-up new procedures and processes to obtain the best results.

The following results have been achieved by the team over the past three years:

	2020/21	2021/22	2022/23
Number of cases Adjusted	148	177	133
Increase in tax yield (£)	216,269	213,466	149,401
Increase in net revenue (£)	216,269	213,466	149,401

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.

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

	2020/21	2021/22	2022/23
Number of Housing Benefit claims adjusted	5	7	2
Value of Housing Benefit Removed (£)	39,605	33,744	25,972

4. Cost Benefit Analysis 2022/23

The table below compares the cost of the Counter Fraud & Compliance Team in 2022/23 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 £62,481.

	Total £	SDC Element £	
Section 1 Expenditure			
Gross Expenditure - Partnership with DBC	204,566	93,993	Costs of the Counter Fraud & Compliance Team are split with Dartford BC.
External contributions from Major Preceptors	(100,947)	(50,474)	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	103,619	43,519	
Section 2 Fraud discovered (SDC):			
Council Tax Investigations	(149,401)	(16,434)	SDC receive 11%
Housing Benefit Overpayments	(25,972)	(10,389)	SDC receive additional subsidy of 40% of overpayments discovered

Appendix A

Business Rates (net)	(142,708)	(57,083)	SDC receive up to 40%
Total	(318,081)	(83,906)	
Section 3 Adjustments (SDC):			
Future savings/Deterrent Factor		(24,234)	Assume a 104-week future benefit element of which SDC receives 11%. See (a) below.
Uncollected Estimate (HB)		3,117	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		279	Assume 1.7% as Council Tax collection rate is 98.3% (in year)
Uncollected estimate (Business Rates)		1,256	Assume 2.2% as Business Rates collection rate is 97.8%
Total Adjustments		(22,094)	
Net Cost/(Surplus)		(£62,481)	

- (a) External funding organisations allow us to record a 104-week future benefit element. This is an assumption that the fraud/error would have continued for an average of 104 weeks after the intervention of the Fraud & Compliance Team.
- (b) We are assuming a non-recovery rate of 30% in HB overpayments, 1.7% in Council Tax and 2.2% in Business Rates related savings.

5. Future Developments

Plans for 2023/24 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.