

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

27 APRIL 2017

REPORT OF THE HEAD OF FINANCE AND SECTION 151 OFFICER

COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: NOVEMBER 2015 to MARCH 2017

1. Purpose of Report.

- 1.1 The purpose of the report is to inform the Committee of the activities that have been undertaken since 01 November 2015 to 31 March 2017 with regard to Council Tax Reduction (CTR) fraud investigations. In addition, the report also summarises the activities undertaken and the results achieved during 2016/17.

2. Connection to Corporate Plan / Other Corporate Priorities.

- 2.1 The work of the Fraud Investigator impacts the resources available to the Council which support all of the Corporate Improvement Objectives/other corporate priorities.

3. Background.

3.1 Single Fraud Investigation Service

- 3.2 The Government's paper 'Tackling fraud and error in the benefits and tax credit systems' published in October 2010 announced that over the period 2013-15 the Government intended to create a single fraud investigation service (SFIS) with statutory powers to investigate and sanction all benefit and tax credit offences combining the resources across DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. This change is to improve efficiency, ensure all offences are taken into account and increase the number of investigations and sanctions.

- 3.3 Investigation staff from all local authorities have now become civil servants within SFIS as part of the phased programme running from June 2014 to March 2016. On the 01 November 2015, Bridgend's Fraud Manager and 2 investigation staff joined SFIS and the investigation work for Housing and Council Tax Benefit transferred. The prosecutions for these benefits are now dealt with by the Crown Prosecution Service.

- 3.4 In the Spending Review 2010, the UK Government announced that it would localise support for council tax from 2013/14 and reduce expenditure by 10%. The Welfare Reform Act 2012 contained provisions to abolish council tax benefit from 31 March 2013. From this date the responsibility to provide support for council tax and the funding associated with it, was devolved to local authorities in England, to the Scottish Government and to the Welsh Government. Cases of fraud in CTR do not form part of the SFIS remit.

3.5 To maintain effective and functioning counter-fraud activities for CTR, the Benefits Service retained a Fraud Investigator primarily to undertake the following:

- Investigate allegations of CTR fraud and single person discount discrepancies
- Risk based intervention activities
- Assist SFIS in the provision of information and/or documentation
- Provide awareness and training for staff in relation to fraud, abuse and financial loss

4. Current situation

4.1 During the initial few months following the transfer to SFIS, the remaining Fraud Investigator concentrated upon establishing new protocols and processes for the administration of CTR investigations, and developed a contact network with other CTR fraud officers within neighbouring authorities. This network has widened across Wales and officers now meet quarterly to discuss CTR fraud matters and share best practice.

4.2 Fraud awareness training sessions remain to be undertaken for Benefit, Homelessness, Council Tax and Customer Service staff and with outside agencies. Fraud awareness also forms part of the induction process for all new benefit staff.

4.3 The sources of fraud referrals since November 2015 to 31 March 2017 are summarised in Table 1 below.

Source of Referrals	Nov 2015 – Mar 2017
N.F.I.	7
Benefit staff	12
HBMS* data match	11
Department of Work and Pensions (DWP)	2
Claim review	48
Anonymous (letter/telephone)	2
Real Time Information (RTI)	36
Total:	118

* DWP Housing Benefit Matching Service

4.4 CTR investigations were undertaken based upon information received as a data match or in the form of a specific allegation regarding the claimant's circumstances.

4.5 41% of the fraud referrals were initiated through claim reviews. These are cases where it appears that the claimant may have not declared a change in their circumstances, for example, where earnings have remained unchanged over a significant period of time. 31% of referrals were received as a result of the DWP's Real Time Information (RTI) initiative. RTI is an earned income and occupational pension data match with HMRC and indicates undeclared earnings or pensions, as well as highlighting significant variations in the amounts declared.

4.6 Fewer than 2% of CTR referrals were received via the public; the majority of referrals from the public relate to DWP benefits or Housing Benefits, and

consequently these are forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:

- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance; or
- The Housing Benefit overpayment is expected to exceed £4,000 (the DWP's threshold for prosecution); or
- It is in the public's interest that a prosecution should result.

4.7 Table 2 illustrates a breakdown of the types of allegations that have been referred during the period:

Types of allegation	Nov 2015 – Mar 2017
Undeclared income	38
Undeclared increase in income	56
Undeclared capital/savings	13
Living together	2
Non-residency	6
Discrepancy – non-dependant	2
Discrepancy – household occupants (e.g. SPD*)	1
Total:	118

*Single person discount

4.8 The majority of investigations undertaken relate to earnings and savings; this is purely the result of being unable to investigate cases where a DWP benefit may be affected.

4.9 During the period November 2015 to March 2017, 91 cases were closed and the closure categories are detailed here in Table 3.

Reason for closure	Nov 2015 – Mar 2017
No fraud	10
Not investigated	6
Fraud proven*	75
Total:	91

* i.e. sufficient evidence to instigate legal proceedings

4.10 The number of fraud proven cases represents 82% of the closed cases; this is attributed to the quality of the initial referral.

4.11 Table 4 below provides the CTR, and incidental Housing Benefit, savings that have been achieved as a result of the fraud investigations concluded during 2016/17.

Savings	2016/17
CTR excess reduction	£79,069
Future CTR saving	£35,949

Council Tax Benefit	£7,274
Housing Benefit	£14,458
Total:	£136,750

- 4.12 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Head of Finance or Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the council are prosecutions, issuing a financial penalty or a fine.
- 4.13 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. Alternative to this type of penalty, fines may be issued as follows:
- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR;
 - £70 – may be imposed for:
 - an incorrect statement, information or evidence that leads to CTR award that is greater than entitlement; or
 - a failure to notify a change in circumstances meaning that a CTR award is greater than entitlement.

Table 5 illustrates the penalties and fines issued in 2016/17:

Successful sanctions	2016/17	Amount
Prosecutions	0	N/A
Penalties	48	£19,986
Fines	8	£560
Total:	56	£20,546

- 4.14 In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties and a compensation fine, totaling £6,523, following DWP investigations into Housing and Council Tax Benefit claims.

5. Effect upon Policy Framework & Procedure Rules.

- 5.1 None.

6. Equality Impact Assessment

- 6.1 There are no equality implications.

7. Financial Implications.

- 7.1 There are no financial implications in this report.

8. Recommendation.

8.1 The Committee is recommended to note the report.

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Background documents

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013

<http://www.legislation.gov.uk/wsi/2013/588/regulation/13/made>