

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

26 APRIL 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2017 to MARCH 2018

1. Purpose of Report.

- 1.1 The purpose of the report is to inform the Committee of the activities that have been undertaken during 01 April 2017 to 31 March 2018 with regard to Council Tax Reduction (CTR) fraud investigations. In addition, the report also summarises the results achieved during 2017/18 as compared with the position from November 2015 to March 2017 (effectively as a new process, this period covers the first year of CTR only investigations).

2. Connection to Corporate Plan / Other Corporate Priorities.

- 2.1 The work of the Fraud Investigator impacts the resources available to the Council that supports Corporate Improvement Objectives and 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 became civil servants within SFIS as part of the phased programme (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. From 01 April 2013 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 / proposal

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 investigators 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 Table 1 illustrates the source of fraud referrals during the relevant periods.

Source of Referrals	Nov 2015 – Mar 2017	2017/18
N.F.I.	7	13
Benefit/Taxation staff	12	33
HBMS* data match	11	2
Department of Work and Pensions (DWP)	2	0
Claim review	48	4
Anonymous (letter/telephone/email)	2	45
Real Time Information (RTI)	36	32
Other organisation/department	N/A	9
Total:	118	138

* 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 received during November 2015 to March 2017 were initiated through a claim review exercise. These were cases where it appeared that the claimant may have not declared a change in their circumstances, for example, where earnings had remained unchanged over a significant period of time. As the DWP introduced a new monthly data match in June 2017, and workload could not be accurately forecast, a specific CTR claim review exercise was not undertaken in 2017/18. However, a further exercise is planned for autumn 2018. 23% 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 Almost 33% of the referrals were received via the public; the majority of these referrals relate to DWP benefits or Housing Benefits, and consequently these were 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 £3,000 (the DWP's threshold for criminal action); or
- It is in the public's interest that a prosecution should result.

During 2017/18, the Fraud Investigator referred 63 cases to the DWP.

4.7 Table 2 illustrates a breakdown of the types of allegations that were referred during the periods:

Types of allegation	Nov 2015 – Mar 2017	2017/18
Undeclared income	38	43
Undeclared increase in income	56	23
Undeclared capital/savings	13	11
Living together	2	33
Non-residency	6	8
Discrepancy – non-dependant	2	9
Discrepancy – household occupants (e.g. SPD*)	1	0
Other (e.g. DLA/Tax Credits/contrived)		11
Total:	118	138

*Single person discount

4.8 The majority of investigations undertaken by Bridgend's Fraud Investigator 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 2017/18, 82 cases were closed (as compared to 91 for the period November 2015 to March 2017); the closure categories are detailed here in Table 3.

Reason for closure	Nov 2015 – Mar 2017	2017/18
No fraud	10	3
Not investigated	6	39
Fraud proven*	75	40
Total:	91	82

* i.e. sufficient evidence to instigate legal proceedings

4.10 The number of fraud proven cases has reduced to 49% of the closed cases (82% November 2015 – March 2017); this is attributed to the reduced quality of the initial referral. In particular, 73% of the anonymous referrals were not investigated as they

either lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).

- 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 the relevant periods.

Savings	2016/17	2017/18
CTR excess reduction	£79,069	£40,424
Future CTR saving	£35,949	£14,760
Council Tax Benefit	£7,274	£887
Housing Benefit	£14,458	£91,310**
Total:	£136,750	£147,181

** 2017/18 investigations included more cases where Housing Benefit was also in payment; for 2016/17, investigations concentrated on CTR only claims.

- 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 Interim 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 the relevant period:

Successful sanctions	2016/17	Amount	2017/18	Amount
Prosecutions	0	N/A	0	N/A
Penalties	48	£19,986	30	£14,869
Fines	8	£560	6	£420
Total:	56	£20,546	36	£15,289

4.14 In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties totaling £11,859 (£6,523 in 2016/17), following DWP investigations into Housing and Council Tax Benefit claims.

4.15 Blue Badge misuse

In March 2018, a Blue Badge misuse investigation undertaken by the Fraud Investigator led to a successful prosecution. It resulted in a 12 month community order and 100 hours unpaid work. The person was also ordered to pay legal costs of £550, investigation costs of £377 and an £85 victim's surcharge.

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>