

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

13 JUNE 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2018 to MARCH 2019

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 2018 to 31 March 2019 with regard to Council Tax Reduction (CTR) fraud investigations. In addition, the report also summarises the results achieved during 2018/19 as compared with the position for 2017/18.

2. Connection to Corporate Plan / Other Corporate Priorities.

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

- 2.2 The work of the Fraud Investigator impacts on the resources available to the Council that supports Corporate Improvement Objectives and other corporate priorities.

3. Background.

- 3.1 On 01 November 2015, the investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions' (DWP) Single Fraud Investigation Service (SFIS). SFIS has the statutory powers to investigate and sanction all benefit and tax credit offences and combined the investigatory resources of DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. The prosecutions for SFIS are undertaken by the Crown Prosecution Service.
- 3.2 The localisation of support for council tax commenced in 2013/14 and 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.
- 3.3 To maintain effective and functioning counter-fraud activities for CTR, the Benefits Service employs 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 The Fraud Investigator has developed a contact network with other CTR Fraud Investigators within neighbouring authorities. This network has widened across Wales and officers meet quarterly to discuss CTR fraud matters and share best practice.
- 4.2 Fraud awareness training continues 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 Fraud referrals are summarised in Table 1 below. This shows that during 2018/19 there has been a 31% reduction in the number of referrals received across all sources. National Fraud Initiative (NFI) referrals are biennial so these are expected for 2019/20, however there is no identifiable reason for the general reduction.
- 4.4 Table 1 illustrates the source of fraud referrals during the relevant periods.

Source of Referrals	2017/18	2018/19
N.F.I.	13	0
Benefit/Taxation staff	33	29
HBMS* data match	2	0
Department of Work and Pensions (DWP)	0	0
Claim review	4	10
Anonymous (letter/telephone/email)	45	33
Verify Earnings and Pensions (VEP) alerts	32	19
Other organisation/department	9	4
Total:	138	95

* DWP Housing Benefit Matching Service

- 4.5 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.
- 4.6 20% of referrals were received as a result of the DWP's Verify Earnings and Pensions (VEP) alerts initiative. VEP 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.
- 4.7 Almost 35% 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 2018/19, the Fraud Investigator referred 33 cases to the DWP.

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

Types of allegation	2017/18	2018/19
Undeclared income	43	25
Undeclared increase in income	23	24
Undeclared capital/savings	11	10
Living together	33	23
Non-residency	8	3
Discrepancy – non-dependant	9	8
Discrepancy – household occupants (e.g. SPD*)	0	1
Other (e.g. DLA/Tax Credits/contrived)	11	1
Total:	138	95

*Single person discount

4.9 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.

4.10 During 2018/19, 57 cases were closed (as compared to 82 for 2017/18); the closure categories are detailed here in Table 3.

Reason for closure	2017/18	2018/19
No fraud	3	1
Not investigated	39	22
Fraud proven*	40	34
Total:	82	57

* i.e. sufficient evidence to instigate legal proceedings

4.11 Although the number of fraud proven cases has increased to 60% of the closed cases (49% in 2017/18), there is no discernable reason for the change. 39% of the closed cases were not investigated as either they lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).

4.12 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	2017/18	2018/19

CTR excess reduction	£40,424	£32,300
Future CTR saving	£14,760	£12,095
Council Tax Benefit	£887	£0
Housing Benefit	£91,310	£89,058
Total:	£147,181	£133,453

4.13 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.

4.14 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	2017/18	Amount	2018/19	Amount
Prosecutions	0	N/A	0	N/A
Penalties	30	£14,869	25	£9,001
Fines	6	£420	5	£350
Total:	36	£15,289	30	£9,351

4.15 The reduction in the total amount of sanctions directly relates to smaller levels of excess reduction (i.e. 50% of smaller amounts). In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties totaling £7,389 (£11,859 2017/18), following DWP investigations into Housing and Council Tax Benefit claims.

4.16 **CTR prosecution**

4.17 In May 2019, a CTR investigation undertaken by the Fraud Investigator led to a successful prosecution. It resulted in a 12 month Community Order and 60 hours unpaid work. The person was also ordered to pay costs of £600 and an £80 victim surcharge. The CTR excess reduction totaled £2,648.68.

4.18 **Joint working**

4.19 In October 2017, the DWP provided details of the joint working approach between SFIS and local authorities' fraud teams. Following a pilot stage with 6 local authorities, including Swansea City Council, all local authorities were invited to sign-up to a joint counter fraud initiative.

4.20 This initiative means that local authority fraud teams will, in appropriate cases, undertake joint investigations with SFIS. Benefits include the sharing of expertise and knowledge, which makes investigations more efficient. Furthermore, the Crown Prosecution Service will instigate criminal proceedings via a single prosecution. Joint working was rolled out across all participating authorities between October 2018 and May 2019 with Bridgend CBC approved to go-live on 29 April 2019.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Wellbeing of Future Generations (Wales) Act 2015

7.1 The well-being goals identified in the Act have been considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial Implications.

8.1 The financial implications are reflected within this report as any fraud impacts on the resources available to the Council.

9. Recommendation.

9.1 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>