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| <b>SUBJECT:</b>            | <i>Annual Fraud Report</i>                                |
| <b>REPORT OF:</b>          | <i>Customer Services – Councillor Fred Wilson</i>         |
| <b>RESPONSIBLE OFFICER</b> | <i>Nicola Ellis Head of Customer Services</i>             |
| <b>REPORT AUTHOR</b>       | <i>Alistair Webb, 01494 732227, awebb@chiltern.gov.uk</i> |
| <b>WARD/S AFFECTED</b>     | <i>All</i>  |

## 1. Purpose of Report

This report is to advise the Audit Committee of the Anti- Fraud and Error reduction activity undertaken in 2017/18 and an action plan for 2018/19.

## RECOMMENDATION

Members are asked to note and comment on the outcomes and future activity.

## 2. Reasons for Recommendations

The report is for information only and no action is required.

## 3. Report

3.1 This report details the anti-fraud and error reduction activity completed during the 2017/18 financial year and the outcomes where appropriate. It also includes an action plan for areas of work to be reviewed in the year 2018/19, with the intention of identifying risk areas and taking proactive work to prevent and deter fraud and error.

3.2 The Revenues Fraud and Error Reduction Team is responsible for carrying out anti-fraud activity in relation to Housing Benefit and Local Council Tax Support It also provides assistance to Internal Audit, providing the main resource for fraud and irregularity matters as well as carrying out a planned fraud review of high risk fraud areas.

3.3 Since May 2016 the Anti-Fraud team is part of a shared revenues service with South Bucks District Council. In relation to fraud matters the councils have been working in partnership since 2009.

3.4 The Audit, Fraud and Error Reduction Manager in conjunction with the Internal audit contract manager provides Risk Management guidance and during 2017/18 has provided Risk Management and Anti- Fraud guidance to all of the councils middle management as part of the ongoing Middle Managers development programme.

## **Background**

3.5 In 2017/18 Chiltern District Council awarded a total of £18,342,228 in Housing Benefit and £3,517,323 in Local Council Tax Support.

3.6 The Revenues Team carry out fraud prevention while making the schemes as accessible and customer friendly as possible. The Council continues to operate a risk based verification process introduced in October 2016 and reviewed on an annual basis. Claims are risk scored at the outset to identify cases that require further checking of circumstances while allowing the more straightforward, lower risk cases to be processed without the burden of verification.

3.7 All applications are made by an online claim form, as part of the claim process once the claim is submitted instant background checks are carried out and this generates a list of verification requirements to be provided by the customer to support the application. The process does not entirely remove human intervention with officers using their knowledge and judgement to override the risk score and refer to the fraud team where the circumstances declared do not appear correct. The fraud team has then made more in depth inquiries and challenged the customers where appropriate preventing potential frauds entering the system.

3.8 For on-going benefit and reduction claims the Fraud and Error Team target cases based on known risk factors or as a result of information received from third parties, including HMRC, DWP and the general public to ensure claims are accurate and errors identified at the earliest opportunity.

## **4 Housing Benefit Fraud and Error**

4.1 The Fraud Team provide support to the DWP's Single Fraud Investigation Service (SFISs). SFIS are responsible for the investigation, sanction or prosecution of Housing Benefit and historic Council Tax Benefit frauds. The SFIS teams have no direct access to the councils Housing Benefit records requiring the councils Fraud Team to act as the main contact point, providing documentation, statements and decisions on benefit overpayments and agreements on the offer of Administrative Penalties.

4.2 A total of 22 cases were accepted by SFIS for investigation. Two cases were prosecuted by SFIS the outcomes detailed below. No further penalties or sanctions were identified:

| SFIS Prosecution Outcomes |             |                      |  |
|---------------------------|-------------|----------------------|--|
| Resident                  | Overpayment | Outcome              |  |
| Mr of Chesham             | £5,501      | 3 Month Curfew Order |  |
| Mrs Of Chesham            | £2,597      | £80 fine             |  |

4.3 The fraud team also act as the main contact for the DWP’s annual audit of Housing Benefit (Housing Benefit Review). 5 cases were selected and no discrepancies identified. Although a small sample, the DWP select cases from potential high risk areas and this demonstrates the overall accuracy of CDC awards.

4.4 The above DWP audit feeds into national statistics to estimate the level of fraud and error within housing benefit. The latest DWP statistics for 2016/17 show the highest ever recorded level for both fraud at 4.5% of expenditure and overall overpayments at 6.4% of expenditure. CDC’s equivalent calculation for overall overpayments is 2.78% of expenditure.

4.5 The table below identifies the total overpayments identified by the fraud and error team in 2017/18 and the recovery position at the time of this report. The totals include Housing and Council Tax discounts and Local Council Tax Reductions and include 38 cases that, although not suitable for a sanction, resulted in reduction or removal of benefit entitlement with a weekly value of £8,398. This includes claims referred before award where the claim is clearly based on false declarations and action by the Fraud Team has prevented an incorrect award:

| Total Debts Identified | Total Recovered To Date |
|------------------------|-------------------------|
| £83,330                | £47,129                 |

4.6 To assist in identifying fraud and error the DWP provide referrals based on real time income details (RTI) provided to HMRC. DWP provided £17k in funding to action the referrals. The team have concentrated on these cases as the main source of error in

the benefits system. The table below demonstrates the value of these cases with a comparison with 2016/17 results.

| RTI results 2016/17 |                        |             |                                 |             |
|---------------------|------------------------|-------------|---------------------------------|-------------|
| Total referrals     | Total HB overpayments  | No of cases | Total Council Tax Overpayments  | No of Cases |
| 1032                | <b>£136,500</b>        | <b>295</b>  | <b>18,401</b>                   | <b>204</b>  |
|                     | Total HB underpayments | No of cases | Total Council Tax Underpayments | No of cases |
|                     | <b>£2,414</b>          | <b>15</b>   | <b>£1,827</b>                   | <b>28</b>   |
| RTI Results 2017/18 |                        |             |                                 |             |
| Total Referrals     | Total HB overpayments  | No of cases | Total Council Tax Overpayments  | No of Cases |
| 1579                | <b>£158,657</b>        | <b>656</b>  | <b>70,869</b>                   | <b>425</b>  |
|                     | Total HB underpayments | No of cases | Total Council Tax Underpayments | No of cases |
|                     | <b>£259</b>            | <b>56</b>   | <b>£6,551</b>                   | <b>80</b>   |

**5.Council Tax and Housing Fraud Investigations.**

5.1 Fraud Admin penalties were considered appropriate on one case of fraud against the Council Tax Support scheme, relating to undeclared savings. A total of £25,383 in excess awards was identified as fraud and of this a balance of £1,600 remains to be collected. In general these related to a failure to declare a change of circumstances rather than a deliberate false statement. No cases were deemed suitable for immediate prosecution.

| Details       | Reason             | Penalty |
|---------------|--------------------|---------|
| Name redacted | Undeclared savings | £1,000  |
|               |                    | £1,000  |

5.2 The Fraud Team maintains close links with Paradigm Housing Association and provide investigative assistance with tenancy fraud issues. Two cases were referred for investigation and as a result Paradigm were able to recover the two tenancies. The value of recovered tenancies is estimated as £2,800 per case. This is based on the

average cost of Bed and Breakfast placement. The council has preferred rights to nominate to the recovered tenancies.

- 5.3 The Fraud Team provide assistance to the housing team providing background Checks, jointly interviewing customers where discrepancies are identified. The information obtained has assisted housing officers in supporting homelessness decisions. The team carry out residency checks on temporary accommodation placements to verify occupation and assist with housing debt recovery.
- 5.4 Chiltern continues to take part in the bi-annual National Fraud Initiative and annual council tax Single Persons Discount data matching. The exercise, which is hosted and managed by the Cabinet Office, is a mandatory requirement with the council submitting a variety of data to be matched against external data available to the cabinet office. To assist the targeting of resources the output is graded with priority matches identified. Work is ongoing with the matches. The current position on outcomes is shown below:

Outcomes for the last bi-annual data match exercise:

| NFI General Matching Outcomes. |           |
|--------------------------------|-----------|
| Total Referred                 | 959       |
| Total Actioned                 | 730       |
| Total value of outcomes        | £8,325.48 |

NFI Single Persons Discount results to date:

| NFI Single Persons Discount Matching Outcomes. |        |
|--|--------|
| Total Referred                                 | 1334   |
| Total Actioned                                 | 88     |
| Total Value of Outcomes                        | £1,697 |

- 5.5 In addition to the NFI single Persons data matching the revenues team carried out a full review of the existing SPD awards in 2017 requiring customers to re confirm their eligibility.

The above review was completed by April 2018 and resulted in the following outcomes:

### Chiltern Council Tax SPD review 2017/18 – outcomes

| Band | Number of discounts |         | Reduction in discounts |
|------|---------------------|---------|------------------------|
|      | 7/7/17              | 1/04/18 |                        |
| A-H  | 10781               | 10326   | 455                    |

| Precepting Authority  | Charge £ | % charge | Additional revenue 2017/18 |
|-----------------------|----------|----------|----------------------------|
| Bucks CC              | 1218.08  | 72.122   | <b>166,658.51</b>          |
| Chiltern and Parishes | 239.68   | 14.191   | <b>32792.36</b>            |
| Police                | 170.28   | 10.082   | <b>23297.36</b>            |
| Fire                  | 60.88    | 3.605    | <b>8330.38</b>             |
|                       | 1688.92  |          | <b>231,078.61</b>          |

Work is continuing on the NFI SPD matches and outcomes will be reported in next year's annual report.

## 6. Changes to the Team.

6.1 From October 2018 two members of the team are taking flexible retirement. Recruitment has taken place internally for a fraud officer who will undertake both internal training and external professional training in investigations.

## 7. Options.

7.1 The Council has a duty to protect the local public purse and the Revenues Fraud and Error Reduction Team provide a resource for prevention, detection and recovery of fraud and irregularity.

## 8. Corporate Implications

8.1 The Fraud and Error Team are an integral part of the Revenues Service but provide a fraud investigation service across the Council.

8.2 For legal implications the Fraud and Error Team have external links with experienced criminal lawyers and will liaise and consult with our own legal services as and when required.

## 9. Links to Council Policy Objectives

9.1 This report links to the following objectives of the Council:

- Cost effective customer focused services – ensuring correct benefit entitlement minimises losses to the Council;
- Safer and healthier communities – benefit fraud is a crime and the prevention and detection of fraud reduces crime in the community.

## 10. Next Steps

10.1 To consider and agree the 2018/19 action plan.

### **Background Papers:**

**[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/707831/fraud-and-error-preliminary-estimates-2017-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/707831/fraud-and-error-preliminary-estimates-2017-2018.pdf)**