

Counter Fraud & Compliance Team 2020/21 - 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 2021.

2. Background

Sevenoaks District Council is determined that its ethos will be one of honesty and integrity. It is committed to a strong counter-fraud and anti-corruption culture and has a zero-tolerance approach towards fraud, bribery and corruption activity.

The Counter Fraud & Compliance Team is a team of officers specially trained to investigate instances of fraud and financial irregularity & assists the authority in reviewing external related fraud matters.

The Council prides itself in supporting the most vulnerable groups in our society as well as the local business economy, but it will take action against those persons deemed to have flouted the rules and regulations for their own gain.

3. Counter Fraud work programmes 2020-21

Covid-19 Business Support Grants

Everyone will be aware of the lockdowns which commenced on 24th March 2020 created as a consequence of the Covid-19 global pandemic. In March 2020 the government created the first of many funding schemes designed to support both people and businesses through this difficult economic period.

As local authorities were already responsible for billing and collection in respect of Business Rates it was decided that local Councils were best placed to distribute the funding made available to smaller local businesses during lockdown periods.

The Covid-19 Business Support Grants programme has been a major undertaking for Sevenoaks District Council with in excess of £40 million of funding already distributed to date. The exercise required the close collaboration of several different departments within the Council with the Counter Fraud & Compliance Team taking the lead in terms of payment assurance and claim checking.

Pre-payment and post payment checking procedures were quickly created allowing funding to be distributed quickly and efficiently, but with a high level of assurance that payments were being made to the correct recipients.

Business Rates

During 2020/21 the Counter Fraud & Compliance Team continued its successful partnership working with the Kent Intelligence Network (Kent's local authority counter fraud hub) to identify commercial properties which are not registered to pay Business Rates.

This work was further enhanced by frauds discovered by the team whilst checking applications for Covid-19 business support grants.

The table below shows the positive impact on Business Rates revenue levels created by this counter fraud work over the past three years:

	2018/19	2019/20	2020/21
Number of cases Adjusted	13	69	25
Increase in tax yield (£)	135,786	533,401	306,317
Increase in net revenue (£)	135,786	210,123	236,704
Increase in next years net revenue (£)	35,042	119,156	58,372

The increase in net revenue is lower than the increase in tax yield as some of the properties discovered were eligible for exemptions or reliefs which lowered the amount the authority could collect. The exercise is still producing some good results despite being into year 3 of the checking procedure.

Council Tax

The Counter Fraud & Compliance Team continues to support the Council Tax Team in preventing, detecting and investigating erroneous claims for Council Tax discounts and exemptions. Sevenoaks District Council participates in all of the government led anti-fraud initiatives as well as creating pro-active local programmes in collaboration with our Kent partners through the Kent Intelligence Network.

The Council Tax related results achieved by the team over the past three financial years are as follows:

	2018/19	2019/20	2020/21
Number of cases Adjusted	118	163	148
Increase in tax yield (£)	97,490	128,169	216,269
Increase in net revenue (£)	97,490	128,169	216,269

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.

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

	2018/19	2019/20	2020/21
Number of Housing Benefit claims adjusted	15	18	5
Value of Housing Benefit Removed (£)	39,167	87,412	39,605

4. Cost Benefit Analysis 2020/21

The table below compares the cost of the Counter Fraud & Compliance Team in 2020/21 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 £103,411.

	Total £	SDC Element £	
Section 1 Expenditure			
Gross Expenditure - Partnership with DBC	173,075	86,537	Costs of the Counter Fraud & Compliance Team are split 50:50 with Dartford BC.
External contributions from Major Preceptors	(105,141)	(52,570)	From Kent CC, Kent Fire & Rescue as they are major beneficiaries
Net Expenditure - Partnership with DBC	67,934	33,967	
Section 2 Fraud discovered (SDC):			
Council Tax Investigations	(216,269)	(24,871)	SDC receive 11.5%
Housing Benefit Overpayments	(39,605)	(15,842)	SDC receive additional subsidy of 40% of overpayments discovered
Business Rates (net)	(236,704)	(94,682)	SDC receive up to 40%
Total	(424,644)	(101,428)	
Section 3 Adjustments (SDC):			
Future savings/Deterrent Factor		(14,270)	Assume a 52-week future benefit element of which SDC receives 11.5%. See (a) below.
Uncollected Estimate (HB)		4,753	Assume 30%. See (b) below.
Uncollected estimate (Council Tax)		622	Assume 2.5% as Council Tax collection rate is 97.5% (in year)
Uncollected estimate (Business Rates)		6,912	Assume 7.3% as Business Rates collection rate is 92.7%
Total Adjustments		(1,983)	
Net Cost/(Surplus)		(£103,411)	

- (a) External funding organisations allow us to record a 52-week future benefit element. This is an assumption that the fraud/error would have continued for an average of 52 weeks after the intervention of the Fraud & Compliance Team.

- (b) We are assuming a non-recovery rate of 30% in HB overpayments, 2.5% in Council Tax and 7.3% in Business Rates related savings.

5. Future Developments

Plans for 2021/22 include a corporate risk assessment project to review all fraud risks across the organisation and the development of a Fraud Action Plan to mitigate the risks discovered.

The Counter Fraud & Compliance Team will be reviewing and enhancing their internal data-matching capabilities to assist in the discovery of more fraud.