

 Finance and Audit Scrutiny Committee. 28th November 2017		Agenda Item No. 8
Title	Fraud Investigation Performance Report	
For further information about this report please contact	Andrea Wyatt ext 6831	
Wards of the District directly affected		
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny 2 nd September 2015	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No
An equality impact assessment is not required as this report does not change any policy	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	14/11/17	Chris Elliott
Head of Service	14/11/17	Mike Snow
CMT	14/11/17	Chris Elliott/Andrew Jones
Section 151 Officer	14/11/17	Mike Snow
Monitoring Officer	14/11/17	Andrew Jones
Finance	14/11/17	Mike Snow
Portfolio Holder(s)	14/11/17	Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

1.1 This report provides an update on the performance of the Fraud Team.

2. **Recommendation**

2.1 That note is taken of the contents of the report.

3. **Reasons for the Recommendation**

3.1 There are no decisions to be made as a result of this report.

4. **Policy Framework**

4.1 **Fit for the Future (FFF)**

"The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects, whilst this is not considered a key project, public funds and services which are obtained fraudulently, will have a direct impact on the Council's ability to deliver the FFF strategy and therefore it is right that performance against the prevention and detection of fraud is appropriately monitored.

"The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
To ensure that services which the public can access such as social housing, council tax reduction and any discounts, are not obtained fraudulently. This contributes to ensuring these services are available for	The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.	The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.

residents and businesses in most need.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
There are no impacts, however all staff have been given the opportunity to attend training sessions to assist them in recognising suspicious activity which potentially could be fraudulent.	The provision of our fraud service assists in ensuring that only those people who are entitled, receive the services thereby ensuring we focus on customers' needs.	The work of the fraud team is crucial in ensuring public funds are protected.

4.2 Supporting Strategies

Each strand of the FFF strategy has a number of supporting Strategies – but direct reference to them is not necessary in considering the subject matter of this report.

4.3 Changes to Existing Policies

This section is not applicable.

4.4 Impact Assessments

This section is not applicable.

5. Budgetary Framework

5.1 There are no direct budgetary impacts arising..

6. Risks

Effective fraud investigation should reduce and deter the risk of inappropriate use of public resources.

7. Alternative Option(s) considered

7.1 N/A

8. **Background**

8.1 The cost of fraud to Local Government has proved difficult to determine due to the lack of fraud measurement exercises undertaken by authorities. Fraud investigations tend to be instigated following a suspicion either by a member of staff or a member of the public being reported and therefore the true extent of fraud can only ever be estimated. The true cost of fraud to an authority could only ever be determined by undertaking a sampling exercise across all services susceptible to fraud to identify the true extent of occurrences. In 2013 the National Fraud Authority estimated that fraud may cost the UK around £52 billion per year and the estimated cost to local authorities was £2.1billion.

8.2 In February 2015, the Housing Benefit fraud investigation function transferred to the Department for Work and Pensions under the auspices of the Single Fraud Investigation Service (SFIS). Following unsuccessful attempts to recruit suitably qualified investigation staff, it was necessary to consider alternative options for providing the service. In February 2016, Oxford City Council agreed to provide a Corporate Fraud Service for Warwick District Council under a shared service arrangement. Oxford City Council were the Institute of Rating Revenues and Valuation (IRRV) winners for Excellence in Corporate Fraud in 2016 and have recently won the award for Excellence in Innovation. The Fraud Team have been investigating corporate fraud for a number of years and have undertaken work for other district councils within Oxfordshire as well as Oxfordshire County Council.

8.3 **Performance**

Investigations where fraud is proven are punishable either by issuing a formal caution or an administrative penalty. An administrative penalty is an agreement with the claimant that in addition to the repayment of the debt they will pay a further amount. This amount is determined by legislation and is calculated as a % of the debt, however the level of the % differs depending on the period in which the overpayment occurred, neither of these sanctions result in a criminal record. In more severe cases, a claimant will be prosecuted.

8.4 **Housing**

Housing tenancy is one of the common areas where members of the public will attempt to commit fraud, this includes fraudulent right to buy applications, fraudulent homelessness applications and illegal subletting. Illegal activity around housing effectively reduces the number of properties available to house customers presenting as homeless and results in a cost to the authority. During the last financial year, there were 60 households placed in Bed and Breakfast accommodation, the cost of which averages £65.00 per night. Whilst a percentage of this can be claimed from the Government in housing benefit subsidy, there was still a direct cost to the authority of over £50,000. As a direct result of work undertaken by the fraud team, 4 Housing Revenue Account properties have been returned to use, one case has resulted in a successful prosecution for illegal subletting and a one currently being considered for prosecution for fraudulent application. A further 10 applicants have been removed from the council waiting list after their applications were found to be potentially fraudulent.

8.5 **Revenues and Benefits.**

Housing Benefit fraud is now dealt with by the SFIS, however, local authorities are still responsible for investigating their own council tax reduction fraud. In most cases a person who is in receipt of housing benefit is also in receipt of council tax reduction and therefore if they are claiming fraudulently it will affect both benefits. Unfortunately, DWP will not currently undertake joint investigations with local authorities and neither will they automatically prosecute for housing benefit if the Council prosecutes for council tax reduction. Whilst a number of council tax reduction investigations have been undertaken, they are usually passed to the DWP to take action as the housing benefit element is the larger of the two overpayments, these cases are not resolved. The Council will still seek to recover the over payment of Council Tax Reduction. There is currently 1 prosecution pending involving both council tax reduction and single person discount fraud.

8.6 The team have been involved in other proactive work, looking at New Homes Bonus, business rates avoidance and fraudulent claiming of council tax single person discount. Using data matching technology, they will be assisting a full review of single person discount and the results will be reported when this work has been completed.

8.7 **National Fraud Initiative, (NFI)**
Although not compulsory, the authority has always sought to investigate the majority of matches received via the NFI. However this is resource intensive and often delivers little in the way of results. In addition to the normal matches, NFI provided an additional single person discount (SPD) report which matched data to other external sources such as blue badge and concessionary travel data. However due to the timing of when data is collected and the length of time before the matches were received, a view was taken that only the high risk cases would be checked and the team would undertake a separate SPD review. The Team have access to a data matching system, using this technology to review single person discount cases, will ensure that any data submitted is matched and returned daily.

Area of Result	Number	Value	Caution	Adpen	Prosecution	£70 Penalty	Warning Letter
Council Tax Reduction Overpayments	7	£10,664.00		527.45		2	
Council Tax Reduction Future Savings	7	£5,937.90					
Housing Benefit Overpayments	7	£45,686.58	N/A	N/A	N/A	N/A	N/A
Housing Benefit Future Savings	6	£35,628.84	N/A	N/A	N/A	N/A	N/A
Council Tax Discount Removed	5	£10,088.00				2	
Council Tax Discount future Increase	3	£2,544.46					
NNDR increased income	7	£68,565.73					
NNDR future income							
Social Housing Properties recovered	3	£69,000.00		N/A	1	N/A	N/A
Housing Applications Cancelled	10	£46,000.00	N/A	N/A	N/A	N/A	N/A
Right to Buy Cancelled							
Total		£294,115.51	0	527.45	1	£280.00	0

Non Cashable savings

Area of Result	Number	Value	Caution	Adpen	Prosecution	£70 Penalty	Warning Letter	Notes on calculation
Council Tax Reduction Future Savings	6	£5,938	0	0	0	0	0	104 week multiplier on saving made. This is based on the average length of time between a customer notifying a change of circs.
Housing Benefit Future Savings	6	£35,629	N/A	N/A	N/A	N/A	N/A	104 week multiplier on saving made. This is based on the average length of time between a customer notifying a change of circs.
Social Housing Properties recovered	3	£69,000	0	N/A	1	N/A	N/A	Calculation pending.
Housing Applications Cancelled	10	£46,000	N/A	N/A	N/A	N/A	N/A	£4600 per application. Figure derived from the average cost in temp accommodation spent for each family housed.
Right to Buy Cancelled	0	£0	0	0	0	0	0	£77,000 per application cancelled. Based on the discount given on the market
Total		£156,567	0	0	0	£0.00	0	