

Committee: Cabinet

Agenda Item

Date: 22 October 2015

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Title: Fraud and Compliance

Portfolio Holder: Councillor Simon Howell

Item for decision

Summary

1. To update and inform members on the progress of the Essex wide Council Tax sharing agreement and the Fraud and Compliance Business Case.
2. To update members on other initiatives to reduce fraud that has been implemented by the Revenues and Benefits Teams.

Recommendations

3. This report is for members to note and for information purposes only

Financial Implications

4. Included in the body of this report.

Background Papers

5. None

Impact

- 6.

| | |
|---------------------------------|-------------------------|
| Communication/Consultation | None |
| Community Safety | None |
| Equalities | None |
| Health and Safety | None |
| Human Rights/Legal Implications | None |
| Sustainability | None |
| Ward-specific impacts | Beneficial to all wards |
| Workforce/Workplace | None |

Situation

7. An agreement has been in place with Essex County Council, Essex Fire Authority, Essex Police Authority and 12 of the Essex district councils to maximise council tax collection and minimise fraud since April 2013.
8. This agreement was updated in April 2015 to include the Fraud and Compliance Business Case and has a 3 year life span.
9. The Fraud and Compliance Business Case was developed to introduce new incentives and work streams to combat fraud, ensure compliance and increase the tax base.
10. Major Preceptors will contribute to the costs of employing resources to implement these work streams and the increase in income will then be shared back as per the terms and conditions of the agreement. Local Authorities receive 16% of the additional income generated.
11. The agreed resource funding for Uttlesford in the Business Case is £80,000 of which Uttlesford fund approximately £11,600 of this and the remainder being funded by the three major preceptors, Essex County Council , Police and Fire Authority.
12. Work streams implemented
 - a. Empty Homes Review.
 - b. Single Resident Discount Review.
 - c. Recruitment of 2 Compliance Officers on 3 year fixed term contracts.
13. Empty Homes review was completed at the end of September and the process has identified 38 previously empty properties as now occupied. This has generated a potential revenue value (including New Homes Bonus) of £333,751. Please note this is subject to final verification.
14. Single Resident Discount review is currently in progress and 1,288 letters were issued to residents who are in receipt of the discount. Prior to this review an amnesty period of one month was publicised, offering residents claiming the single resident discount the opportunity to declare a change of circumstance without incurring a penalty. Revenues are currently awaiting responses from reminder letters issued on 6th October. To date this review has identified 12 claims where residents no longer qualify for the discount.
15. The compliance officers are looking at individual cases of fraud on Housing Benefit and Council Tax including local council tax support. To date officers have identified £97,165 of overpayments. These relate to Housing Benefit of £79,600 with an expected recovery rate of 65%, Council tax and Local council tax support of £17,565 with recovery rates of 90%.
16. The sharing agreement is based on a model which looks at the difference in council tax income between 2012/13 and 2015/16 financial year. It then

removes any natural inflation and growth. The remaining amount is recognised as additional income as a result of better collection rate which the major preceptors promotes by sharing a portion of the income with the districts.

17. The financial position based on September data shows additional income of £1,398,000 compared to an original projection of £468,000. As per the basis of this agreement the council receives an additional £253,000. The table below gives a summary of the data and adjustments.

| | 1st April 2015 £ '000 | 30th September 2015 £ '000 |
|--|--------------------------|-------------------------------|
| Estimated collection for 2015/16 (calculated using 2015/16 collection rate of 98.97%) ² | (50,775) | (51,141) |
| Estimated receipts relating to previous years | 0 | (543) |
| Forecast y/e debit collected - as at end September 2015 | (50,775) | (51,684) |
| 2012/13 collection | (47,243) | (47,243) |
| Budgeted increase in collection | (3,532) | (4,441) |
| 2013/14 Natural growth adj | 925 | 925 |
| 2014/15 Natural growth adj | 932 | 932 |
| 2015/16 Natural growth adj | 930 | 930 |
| 2013/14 Ctax increase adj | 271 | 271 |
| 2014/15 Ctax increase adj | 6 | 6 |
| 2015/16 Ctax increase adj | 0 | (21) |
| "Anticipated Additional Income" £ increase in collection due to additional activity) | (468) | (1,398) |
| Share back as per agreement @ 16% plus smoothing amount for year 1 of new agreement | | |
| Essex County Council | 106 | 212 |
| Police Authority | 14 | 28 |
| Fire Authority | 6 | 13 |
| Total additional income receiveable by UDC | (126) | (253) |

18. The additional income of £1,398,000 is still included in the total collection fund calculation at year end of which the council will receive a further 9% of the total surplus.
19. The Fraud and Compliance Business Case has a second phase which is the procurement of a Data Warehouse (centralised IT database/system) for the district councils who have committed to this business case.
20. The Data Warehouse will enable the cross referencing of claimant details across all the districts and enable the identification of fraud and ensure compliance in an efficient and effective process.
21. The terms and conditions for this are currently being reviewed by each Local Authorities legal department and once these have been agreed the tender process will begin.

Other Fraud work

22. Single Fraud Investigation Service (SFIS) has been set up by the Department of Work and Pensions (DWP) to centralise Housing Benefit Fraud. The Council successfully transferred this work to the SFIS team on the 22nd September and all future benefit fraud referrals will be dealt with by the SFIS team.

23. The DWP are also running a Fraud and Error Incentive Scheme (FERIS). A target reduction in housing benefit is set for each quarter and if this is achieved DWP will make a payment direct to the Local Authority for reinvestment into the service. Uttlesford signed up to the scheme in the latter part of 2014 and the table below gives details of this scheme to the end of June.

| | DWP Target reduction | Service reduction achieved | Incentive payment received |
|---------------------------|----------------------|----------------------------|----------------------------|
| December 2014- March 2015 | 34,790.00 | 32,800.00 | 0.00 |
| April - June 2015 | 28,720.00 | 34,700.00 | 5,603.00 |

24. A webpage is now available on our website giving residents details of what constitutes fraudulent activity, the responsibilities of the claimant and contact telephone numbers.

Risk Analysis

25.

| Risk | Likelihood | Impact | Mitigating actions |
|---|--|--|--|
| The new initiatives fail to identify and combat fraudulent activity | 1 – unlikely as this is being monitored by multiple bodies | 3 – reduction in taxbase/revenue which supports the overall budget | All activities are being monitored quarterly by senior officers and more regularly by the service managers and DWP |

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.