

# **Summary of feasibility work for the Counter Fraud Unit Project**

## Cheltenham Borough Council

1. The Counter Fraud Officers currently undertake the single point of contact role and acts as the Department of Work and Pensions liaison following the transfer of Benefit Fraud investigation to the Single Fraud Investigation Service, Department for Work and Pensions. The team also investigate any allegations related to the Council Tax Reduction Scheme (or Council Tax Support) offences on behalf of the Revenues and Benefits Department.

The unit has administered the following sanctions:

- 2 Cautions.
- 4 Administrative Penalties generating £1,100.
- There have been 6 Prosecutions working jointly with the Department for Work and Pensions involving Council Tax Support and Housing Benefit.
  - Sentence - 8 month's imprisonment.
  - Sentence – (2 offenders received 2 years and 4 years imprisonment respectively. The Council were awarded £21,500 in compensation via Proceeds of Crime Confiscation Order.
  - Sentence – Fined £75 / Costs £75
  - Sentence – Fined £800 / Costs £250
  - Sentence – 21 month's imprisonment; suspended for 2 years.
- There is a further trial listed for April 2017.

From cases investigated, in the region of £25,000 in overpaid Council Tax Support has been identified and subsequently re-billed. (Resulting Housing Benefit overpayments are not recorded as this is not within the remit of the CFU).

During the project period, the Counter Fraud Unit received 231 fraud referrals in relation to Housing Benefit and the Council Tax Reduction Scheme. These are referred to the Department for Work and Pensions where appropriate or investigated by the Counter Fraud Unit in relation to the Council Tax Reduction Scheme.

2. Service of Court documents on behalf of Housing Benefit debt recovery:-
  - Customer debts totalling in excess of £20,000 have been served papers.
3. The Counter Fraud Unit has received referrals for 4 extraordinary cases of alleged misconduct and/or fraud; 2 external attempts and 2 internal cases relating to employees. Reports have been issued in relation to findings where appropriate.
4. A review of the Housing Applications list for Cheltenham Borough Council was undertaken:
  - 51 applications were cancelled (7 Gold Band and 44 Silver Band) = £561,000 loss avoidance.
  - 56 applications were downgraded to Bronze banding (low priority need).

Each cancelled application represents a property which can be reallocated to another eligible family. For each reallocation, a figure of £18,000 per annum can be identified as a loss avoidance figure because there is no need for temporary accommodation to be

utilised. (£18,000 is the Audit Commission figure for the average annual cost to a Local Authority when housing a family in temporary accommodation). In the Cheltenham Borough this rate would be considerably lower, approximately £11,000 per year as indicated in the figure above. In addition the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.

Following this exercise a review report was produced to summarise the work and make recommendations regarding future processes and system reviews.

5. A sample single person discount review was undertaken for the Revenues (Council Tax) Department. 50 cases were subjected to more robust verification; discounts were removed retrospectively and for the financial year 2016/2017. This increased future liability by £17,500 and generated £22,000 retrospectively.

Council Tax Penalties were not administered but could have been where appropriate generating £70.00 per account approximately £3,000 in fines. There was also the potential to levy a penalty on occupiers who failed to respond to the requests for information – approximately 368 accounts which would have generated £26,000 in fines. In these instances the single person discount of 25% could also have been removed from the start of the financial year generating further liability.

Engagement with Senior Management across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

#### Tewkesbury Borough Council

1. A sample single person discount review was undertaken for the Revenues (Council Tax) Department. 53 cases were subjected to more robust verification; discounts were removed retrospectively and for the financial year 2016/2017. This increased future liability by £17,000 and generated £4,700 retrospectively.

A further data match was undertaken comparing electoral role details and single person discount awards. This increased future liability by £8,600 and generated £8,200 retrospectively.

Council Tax Penalties were not administered but could have been where appropriate generating £70.00 per account.

2. A review of the Housing Applications list for Tewkesbury Borough Council was undertaken:
  - 63 applications were cancelled (3 Emergency, 3 Gold Band and 57 Silver Band) = £630,000 loss avoidance.
  - 32 applications were downgraded to Bronze banding (low priority need).

Each cancelled application represents a property which can be reallocated to another eligible family. For each reallocation, a figure of £18,000 per annum can be identified as a loss avoidance figure because there is no need for temporary accommodation to be utilised. (£18,000 is the Audit Commission figure for the average annual cost to a Local Authority when housing a family in temporary accommodation). In the Tewkesbury Borough this rate would be considerably lower, approximately £10,000 per year as indicated in the figure above. In addition the result of the band reprioritisation is that

those families who are correctly banded have a greater chance of being housed and more speedily.

Following this exercise a review report was produced to summarise the work and make recommendations regarding future processes and system reviews.

3. The Counter Fraud Unit is in the process of completing a review of the list of exempt and empty business units. To date £132,000 of additional revenue has been charged to 31 March 2017 although this is still subject to the provision of various reliefs where applicable. In addition a number of units are still subject to internal decisions or have been referred to the Valuation Office for rateable value.

Overall in the region of £275,000 has been identified by the Unit and referred to the Revenues Team to consider billing or referral.

4. The Counter Fraud Unit is now working with the Environmental and Housing Services Team with the investigation and prosecution of fly-tipping offenders and some proactive deterrent work.
5. A joint investigation with Gloucestershire County Council is underway in relation to care provision and alleged abuse of the Council Tax Reduction Scheme.

#### West Oxfordshire District Council

The Counter Fraud Unit has received referrals for 5 extraordinary cases of alleged misconduct and/or fraud; all internal cases relating to employees. Reports have been issued in relation to findings where appropriate. 1 Caution has been administered.

Engagement with Heads of Service across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

#### Cotswold District Council

The Counter Fraud Unit has received referrals for 4 extraordinary cases of alleged misconduct and/or fraud; 2 external attempts and 2 internal cases. Reports have been issued in relation to findings where appropriate.

Engagement with Heads of Service across the Council has now commenced to establish areas in which the Counter Fraud Unit could focus.

#### Forest of Dean District Council

The Counter Fraud Unit received 1 referral of attempted fraud; external attempt. A report has been issued in relation to findings where appropriate.

#### Gloucestershire County Council

Planning with regard to a verification exercise / proactive fraud drive in relation to social care provision, specifically direct payments, is underway.

#### Stroud District Council and Gloucester City Council

Discussions to be held in relation to the provision of counter fraud services with both authorities.

GO Shared Services (Cotswold, Forest of Dean and West Oxfordshire District Councils / Cheltenham Borough Council)

Sample of debts checked via the National Anti-Fraud Network to assist in debt recovery on behalf of the Accounts Receivable Team to reduce the number of debts passed for write off.

This was a small sample of 24 cases to test the merits of the exercise. Utilising only the free consent data check on the system, further information was found in 18 cases out of 24 – including email addresses, phone numbers and confirmation in many cases that the debtor was still resident at the address held, and also indications that some customers may have used a false name when registering.

This pilot piece of work is now the subject of an enhanced feasibility study. All Cheltenham Borough Council debts are being passed to the Counter Fraud Unit for trace details prior to write off. Figures will be recorded to include costs and debt recovery with a view to rolling the work out to all other GOSS partners if successful.

UBICO

The Unit is providing counter fraud services where needed. 2 extraordinary cases of alleged misconduct and/or fraud; both internal have been received.

Cheltenham Borough Homes

In partnership with CBH the unit has worked to prevent incorrect or fraudulent applications for properties under the 'Right to Buy' scheme.

The Audit Commission (Protecting the Public Purse report 2014) detailed that the average cost to a Local Authority replacing a Social Housing property lost through the Right to Buy scheme would be in the region of £150,000.

In addition, future rental income is lost and emergency housing costs are increased because the property is no longer available for housing provision and allocation. With insufficient properties to meet demand, more costly temporary accommodation must be found.

To date the Unit has assisted in the prevention/recovery of 5 CBH properties – representing £750,000.

The Unit has also worked with CBH Housing Officers to provide intelligence and investigate abandoned or illegally sub-let property, general tenancy fraud allegations and any suspicious applications for social housing.

This has led to 13 properties being recovered/not allocated – a loss avoidance figure of £143,000 (as per the £11,000 figure for the cost of housing a homeless family from the waiting list).

There is also a very real non-monetary value in ensuring that social housing properties are being let to those tenants who are genuinely in need of assistance and not those who are abusing the system for gain.

There have been 5 successful prosecutions for housing offences and one case is currently listed for Crown Court trial.

Sentence – 21 month's imprisonment; suspended for 2 years

Sentence – Fined £200 / Costs £170

Sentence – 100 hours Community Service / Costs £700

Sentence – 12 month Supervision Order

Sentence – 16 weeks imprisonment; suspended and 200 hours Community Service / Costs £200

Detailed reports have been issued to Cheltenham Borough Homes suggesting high risk areas and proactive fraud drives which the team could assist with. The team also produced a review of work undertaken so far highlighting any risks and learning points with remedial recommendations.

### Training

Human Resources, Internal Audit and Investigation staff across the County in relation to undertaking employment and criminal investigations internally. To incorporate any relevant updates or process changes, the team are working with Human Resources.

Criminal Procedure and Investigations Act; refresher and update training being rolled out across the County for all Enforcement, Legal and Internal Audit members of staff.

Regulation of Investigatory Powers Act; refresher and update training being rolled out across the County for all Enforcement, Legal and Internal Audit members of staff.

Proceeds of Crime Seminar conducted by Barristers from Albion Chambers organised for Enforcement, Legal and Internal Audit members of staff across the County. To provide an overview and highlight where this legislation could be utilised within the Councils.

Staff and Member Awareness is being undertaken to introduce the Counter Fraud Team, the new policies which the team have drafted, to include where these are applicable, and general fraud awareness.

### Data Warehouse Software

The Counter Fraud Unit is working with Procurement, Legal and ICT Departments and Corporate Management in relation to the procurement of the software and related data sharing agreements.

Specification documentation has been drafted and the tender process is planned for 2017.

This area also involves a large work stream with regard to Fair Processing notices on the internet and paperwork across all partnership Councils.

The team has drafted more extensive fair processing notices and statements to reflect legislative requirements and any future data matching. Draft documentation is being presented to Corporate Management / Senior Leadership Teams for implementation throughout the partner Council's.

### Policies

A Counter Fraud and Anti-Corruption Policy has been drafted and approved at a number of the partner authorities.

A Regulation of Investigatory Powers Act (Communications) Policy has been drafted and is undergoing the appropriate consultation and approval process at a number of the partner authorities.

Whistle-Blowing Policy has been drafted and is undergoing the appropriate consultation and approval process at a number of the partner authorities.

A Council Tax, Council Tax Reduction Scheme and Housing Benefit Penalty and Prosecution Policy is being drafted. Consultation and approval process to commence.

Further policies are planned – Prosecution Policy, A Regulation of Investigatory Powers Act (Social Media) Policy, Proceeds of Crime and Anti-Money Laundering Policy.

#### Other Work Streams

Work is planned in relation to a generic document pack for Gloucestershire for criminal investigation to include all the relevant investigation, interview under caution and prosecution processes.

Paperwork received in relation to signing the memorandum of understanding with HM Revenue and Customs – liaison with all enforcement teams pending.

A work stream to engage the Police and enter into an appropriate joint working mechanism is to be commenced.

A work stream to engage Trading Standards and enter into an appropriate joint working mechanism commences 30 November 2016.

A work stream to engage NHS Counter Fraud Team and enter into an appropriate joint working mechanism to be commenced.

Work on transparency reporting for fraud work – again this involves capturing information from around the organisations across the different sites.

Housing Associations and Registered Social Landlords. Draft Goods and Services Contract developed for engagement with Registered Social Landlords for the provision of Tenancy Fraud work. This work stream is on hold pending business case consideration. Agreement received from Cheltenham Borough Homes to support and endorse this based on results and work undertaken by the team.