

Crawley Borough Council

Report No: FIN/338

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Report to Audit and Governance Committee

25 June 2014

Fraud Team Report

1. Key Points

- 1.1 Benefit Fraud Results
- 1.2 Housing Fraud Results
- 1.3 Prosecution outcomes
- 1.4 CT / NDR Results
- 1.5 Single Fraud Investigation Service

2. Recommendations

2.1 The Committee is requested to:

Note the report

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3. Background

3.1 The Audit and Governance Committee has a responsibility to oversee the Council's anti fraud and anti corruption arrangements. A major part of those arrangements are the activity of the Fraud Team in identifying, investigating and taking action against cases of fraud or loss.

3.2 This report describes the results for 2013/2014 and the activity since April 2014. It covers the period from 1 April 2014 to 10 June 2014.

From 1 April 2014 to 10 June 2014 the team received an additional 85 referrals. We have closed 78 (all types) cases leaving a current live caseload of 143 cases.

3.3 The team is now looking into all areas of fraud and loss against the council. The main areas of investigation have been Housing Benefit, Housing, Council Tax and Business rates.

4. Housing Benefit Fraud

4.1 The outcome of the closed benefit fraud cases are as follows:

<u>Outcome of closed cases</u>	<u>2013/2014</u>	<u>This period</u>
Referral rejected	44	6
No evidence of fraud	261	45
Overpayment raised (but no sanction) or claim corrected	22	7
Compliance visit request	16	2
Passed to DWP to investigate	100	4
Sanction imposed	34	2
Technical reason for closure	25	1

4.2 During the period the following sanctions have been imposed:

<u>Sanction type</u>	<u>2013/2014</u>	<u>This Period</u>
Caution	7	0
Administrative Penalty	17	1
Prosecution	10	1
Amount of associated overpayment	£135,168	£18,832

4.3 Total overpaid benefit (including DWP benefits) identified by the investigation team during the reporting period was £63,930. During 2013/2014 the team identified £348,144 of benefit overpayments.

4.4 **Benefit Prosecution Outcomes**

Crawley Borough Council worked jointly with Medway Council and Department for Work and Pension into and investigation into Mr Popely, Southgate, Crawley. Mr Popely failed to declare he was receiving income from his employer under its payment protection policy. He had been receiving this for 3 years.

A collective overpayment of £16,000 was calculated. Initially Mr Popely pleaded not guilty to making false claims to claim benefit but changed his plea to guilty prior to the trial. He was convicted and received a 2 year conditional discharge.

5. **Housing Fraud**

5.1 The National Fraud Authority state the average loss to the public purse for each property subject to fraud is £18,000 and the cost of building a social housing unit from new is £150,000.

5.2 In the reporting period a further 3 properties have been recovered which were not being used as their main and principle home by our tenant or had been sublet. On closed case in 2013/2014 22 properties were recovered.

5.3 The investigation team have identified a number of housing applications being false. Where there is a concern that the application is false it is being passed to the team to investigate. During this reporting period we have prevented 2 properties from being allocated and lost from our stock. In each of these cases where we have shown the application to be false they have also been removed from the housing register.

5.4 We have also prevented a right to buy from taking place where the discount received would have been £70,000. The daughter of our tenant made an application stating she was living with her mother however we were able to show she was living elsewhere with her partner.

<u>Housing Issue</u>	<u>2013/2014</u>	<u>In period</u>
Property recovered	22	3
Prevented property being allocated	5	2
Right to buy		1
		(£70,000)
Value of preventing loss	£486,000	£160,000

- 5.4 A caution has also issued against a customer who gave false information to be housed. The customer advised she was living with her mother along with her children. In fact she was living with the father of her children who owned his own property. She was also removed from the housing register.

6. Council Tax and Business Rates

- 6.1 The Investigation and Inspection staff are now reporting the fraud and loss they discover in these areas in the following way:

Loss Prevented – This is where we identify a loss before it happens. This could be an application for single person discount or for business rates exemption. The discount or exemption is refused based on our findings.

Loss Stemmed – This is where we identify an ongoing loss and stop it. This could be recovering a property into stock, stopping an ongoing Council Tax discount or Business rate exemption.

Loss Recovered – This is where we are able to go back and retrospectively bill for a past period due to evidence provided by the team. This could be the retrospective removal of a Council Tax discount or Business exemption.

Rates Gained – Additionally the inspectors also look for properties which are not on the valuation list. These could be new houses, businesses or properties which we have not previously know about.

6.2 Results (non benefit)

Complete results are not available for the year 2013/2014 as the results have only been recorded in this year from November 2013.

<u>Outcome of Council Tax</u>	<u>2013/2014 Fraud</u>	<u>This period Fraud</u>	<u>2013/2014 Inspectors</u>	<u>This period Inspectors</u>	<u>This Period Total</u>
Loss Prevented	£1285	£621	£519	£11,550	£12,171
Loss Stemmed	£4277	£856	£55,368	£37,050	£37,906
Loss Recovered	£5735	£222	£28,242	£30,271	£30,493
New Rates Gained			£104,290	£57,483	

<u>Outcome of Business Rates</u>	<u>2013/2014</u>	<u>This period Inspectors</u>
Loss Prevented	£612	£NIL
Loss Stemmed	£166,363	£302,633
Loss Recovered	£NIL	£1,496
New Rates Gained	£974,000	£571,521

<u>Outcome Totals</u>	<u>2013/2014</u>	<u>2013/2014</u>	<u>2013/2014</u>	<u>2013/2014</u>
	<u>Housing</u>	<u>CT</u>	<u>NDR</u>	<u>TOTAL</u>
Loss Prevented	£90,000	£1804	£612	£92,416
Loss Stemmed	£396,000	£59,645	£166,363	£622,008
Loss Recovered		£33,977	£NIL	£33,977
New Rates Gained		£95,426	£974,000	£1,069,426

6.3 New Homes bonus

During the reporting period the inspectors have identified 39 new properties that have that have been served with completion notices and will now be required to pay Council Tax increasing the CT liability by £54,017.

7. Single Fraud Investigation Service

7.1 The Single Fraud Investigation Service (SFIS) strategy from DWP came from the Welfare Reform Bill 2011 and the proposed implementation of a new Universal Credit benefit. This would bundle together benefits such as Income Support, Jobseekers Allowance, Housing Benefit and Tax Credits The intention would then be to bring together DWP, LA and HMRC investigation staff together under 1 umbrella to investigate welfare benefits. The main welfare benefit CBC deal with is Housing Benefit.

7.2 For the last three years there has been uncertainty regarding SFIS and its implementation. At the start of this year DWP announced they would be going ahead with the SFIS implementation. In May 2014 CBC received notification that our implementation date would be 1 October 2014 and have also been informed of DWP's first visit on 25 June 2015.

7.3 This means they intend to transfer over the investigation work of Housing Benefit from CBC to DWP on 1 October 2014 and staff that are in scope. DWP define staff as in scope if their main role is investigating Housing Benefit. However it is up to CBC to say how many staff are in scope to transfer.

7.4 There has been calls from the House of Commons Work and Pensions Committee to push back the SFIS implementation until the national roll out of Universal Credit but this has been rejected by Lord Freud, the Minister for Welfare Reform. We have also put in a request to delay the transfer to at least April 2015 which is the date bid and won funding for to investigate Housing Fraud. So far we have not received a response.

7.5 This and previous fraud reports have shown that Housing Benefit is not the only fraud risk to the Council. The following highlights areas of non benefit fraud work. Some areas we have been very proactive and some areas have not been fully explored. The formation of the new team will allow us to further explore these areas:

- **Council Tax Support.**
- **Single Person Discount / Council Tax.**
- **Housing Tenancy Fraud.**

- **Employee Vetting / Recruitment Fraud.**
- **Non Domestic Rates (NDR).**

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