

**TELFORD & WREKIN COUNCIL**

**CABINET - 23<sup>rd</sup> JULY 2015**

**SINGLE FRAUD INVESTIGATION SERVICE and REVENUES & BENEFITS SANCTION AND PENALTY POLICY**

**REPORT OF ASSISTANT DIRECTOR: NEIGHBOURHOOD & CUSTOMER SERVICES**

**LEAD CABINET MEMBER – CLLR LEE CARTER**

**PART A) – SUMMARY REPORT**

**1. SUMMARY OF MAIN PROPOSALS**

- 1.1 Over the course of 2014/15 and 2015/16, responsibility for the investigation of Housing Benefit (HB) Fraud will transfer from Local Authorities to the Department for Work and Pensions (DWP), who, along with staff transferred in from HMRC will form a new Single Fraud Investigation Service (SFIS).
- 1.2 Telford & Wrekin Council's powers and responsibilities have transferred to the new organisation from 1<sup>st</sup> June 2015.
- 1.3 Although the Council no longer have any powers or influence over the investigation of HB Fraud, SFIS will still require the Council to undertake a significant amount of administration and liaison work to enable them to undertake their duties.
- 1.4 Responsibility for investigating allegations of all Local Authority related frauds remain with the Council; this includes the investigation of Council Tax Support, which when previously paid as Council Tax Benefit was investigated by the DWP/LA alongside other welfare benefits.
- 1.5 During 2014/15 we re-prioritised the work of our Investigations Team to focus more on Council Tax Support and Single Person Discount related fraud. Since 2013 Council Tax Support has been funded entirely from Local Authority budgets, so any fraudulent discounts that can be identified and stopped represent a direct financial saving to the Council. In the last 12 months this has resulted in a reduction in Council Tax related discounts of over £127k. This report seeks to formalise that arrangement and gain approval for the uses of penalties, sanctions and prosecutions that can be applied in relation to incorrectly claimed discounts and exemptions.
- 1.6 We also propose to use the skills and powers of the Investigation Team to undertake investigations into suspected cases of business rate avoidance and use appropriate legal powers against businesses who we believe are perpetrating it.
- 1.7 Following advice from our legal team, this draft policy has been put to public consultation for 5 weeks and shared with CAB and the Shropshire Chamber of Commerce to take on board their comments prior to the final report to Cabinet endorsing the policy. However no comments have been received during the consultation period.

**RECOMMENDATIONS**

- 2.1 That Cabinet approve the new Revenues & Benefits Sanction and Penalty Policy.
- 2.2 That Cabinet note that from 1<sup>st</sup> June responsibility for investigating Housing Benefit Fraud has transferred from the Council to the Department for Work and Pensions.

**3. SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	No	
	Will the proposals impact on specific groups of people?	
	Yes	The policy applies to any potential Council Tax or Business Rate payer who is found to have incorrectly applied for a discount, relief or exemption or failed to provide information in relation to their liability.
<b>TARGET COMPLETION/DELIVERY DATE</b>	Responsibility for investigating Housing Benefit Fraud has transferred to the new Single Fraud Investigation Service of the Department for Work and Pensions from 1 <sup>st</sup> June 2015.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	<p>The current cost of the Investigation Team is £116k which is funded through the Housing Benefit Subsidy Administration Grant. This grant has been cut by £38k for 2015/16 to reflect the responsibility for Housing Benefit Fraud transferring to the DWP from 1<sup>st</sup> June. This cut has been reflected in the 2015/16 budgets.</p> <p>For 2016/17 the administration grant will be cut by £116k in to reflect the full year impact of the transfer. £85k has been earmarked in the Invest to Save reserve to bridge part of the funding gap in 2016/17.</p> <p>Additional income will be generated through reduced Council Tax Support costs and additional Business Rates collected as a direct result of the work of the Investigation Team. These savings could be used to fund the Investigation Team beyond 2016/17. This would need to be managed through allocating a savings target to the team equivalent to their cost plus an additional amount that will realise actual savings to the Council.</p> <p>A small amount of income will also arise from civil penalties. MLB 29.04.15</p>

<b>LEGAL ISSUES</b>		<p>The lack of a Sanctions and Penalty Policy would expose the Council to the risk of not being able to effectively combat fraud and corruption in relation to the Revenues and Benefits business activities of the Council. The policy brings together a range of legislation which provides a full range of sanctions, penalties and prosecution available to the Council to support efficient management of revenues monies and an effective deterrent regime.</p> <p>The Council has powers to investigate matters of fraud involving dishonestly obtaining revenue discounts / exemptions or evading council tax and business rates.</p> <p>The policy is clear on the decision making process in determining the appropriate sanction where an offence/ fraud is suspected</p> <p>The policy will have to be reviewed following any legislative changes and is essential that it is kept up to date.</p>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>		<p>The Local Authority is still responsible for collecting any overpaid Housing Benefit that is identified by the new Single Fraud Investigation Service. Dependant on their resources and their efficiency at investigating housing benefit fraud cases there is a risk that the value of overpaid housing benefit may increase.</p> <p>However, as Council Tax Support is now funded entirely by the Council, and as the Council can retain 50% of any Business Rates collected, there is significant incentive for the Council to take a proactive approach to tackling fraud and tax avoidance in the Borough.</p>
<b>IMPACT ON SPECIFIC WARDS</b>	No	Borough wide impact.

## **PART B) – ADDITIONAL INFORMATION**

### **4. INFORMATION**

4.1 Aside from the ongoing workload that will be created by SFIS, we will also be responsible for undertaking our ongoing investigations into LA frauds, such as Council Tax Support, Single Person Discounts, and previously unexplored areas such as Non-Domestic Rate evasion. The latter is a new area of work for the team but one which many Local Authorities Fraud Teams are now starting to becoming involved in.

4.2 Essentially, where we have concerns as to the authenticity of an application for rate relief, the case will be considered by the Investigation Team. They will use a more forensic approach to reviewing the case to identify how they may be able to use their specialist fraud powers to collect evidence and data that may uncover a case of tax evasion.

4.3 The accompanying report sets out the legal powers available to apply penalties and sanctions in relation to Council Tax and Non-Domestic business rates and a framework that the Council proposes to adopt that outlines the occasions when these powers should be used.

4.4 This policy replaces the previous Benefit Fraud Sanctions Policy that was approved by Cabinet in 2010.

**5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

5.1 An impact assessment has been undertaken and can be seen at Appendix B

**6 PREVIOUS MINUTES**

None

**7 BACKGROUND PAPERS**

Appendix A – Revenues & Benefits Sanction and Penalty Policy

Appendix B – Revenues & Benefits Sanction and Penalty Impact Assessment

Appendix C – Anti-Fraud and Corruption Policy 2014  
(for reference purposes only)

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