

FRAUD IS

WRONG



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OVERVIEW AND SCRUTINY'S COUNTER FRAUD SCHEME TASK AND FINISH GROUP

1. BACKGROUND

Following on from the Rogue Landlords Task and Finish Group, the Council has identified a number of properties that have been 'deleted' or rated zero exempt from the Valuation Office Agency (VOA) database, which would have a direct financial impact on revenue to the Council.

- 1.1 Members were informed of available funding from the Department of Communities and Local Government's Counter Fraud Fund, which provided local authorities with the opportunity to boost capability and capacity in tackling non-benefit fraud and make real financial savings from reducing the cost of fraud.
- 1.2 Rossendale was one of a number of authorities that was successful in their bid and received £150k to look at the Valuation Office Agency Fraud- Pilot Assessment of Non Domestic Rates and Council Tax. This enabled the Council to explore and challenge the deletion and exemptions of both residential and non-domestic properties from the VOA's Rating List, where owners have knowingly submitted proposals to avoid paying relevant property taxes.

2. INTRODUCTION

- 2.1 This was a joint pilot with Rochdale Housing Initiative, who work on behalf of Rochdale Metropolitan Borough Council, of which Rossendale would take the lead on the project.
- 2.2 The Council looked to identify where fraud had been committed as part of this process and also look for measures to recoup these costs, or to take enforcement action where appropriate. They would do this by looking at the following:
 - a) Whether or not people who were exempt from paying council tax should continue to be exempt, as the onus was on people themselves to inform the Council whether they would continue to be exempt.
 - b) Properties deleted from council tax because they were not considered fit to live in. The Council would run checks to look if the property was actually fit to live in, or whether it was almost fit to live in.
- 2.3 As there were lots of exemptions in different categories, checks were undertaken based on ownership at the time of exemption to the present time, to look if circumstances had changed or whether the reason for exemption remained the same.
- 2.4 When the bid was submitted it was not for a massive target (only targeting 20 in Rochdale and 15 in Rossendale), when so far they had targeted 40 in Rochdale and 30 in Rossendale.

2.5 The work was a value for money exercise that would bring in additional council tax as well as New Homes Bonus, year on year.

3. TERMS OF REFERENCE

3.1 Purpose

- To explore how the Council intends to identify the number of deletions and exemptions of both residential and non-domestic properties from the VOA Ratings List.
- To understand how the Council intends to identify how fraud/avoidance has been committed and measures being put in place to recoup these costs.
- To make recommendations to Cabinet on the results of this piece of work.

3.2 Functions

- Receive and consider update reports from Council officers in order to develop the project in light of their experiences.

3.3 Witnesses

- Officers from the Service Assurance Team/Regeneration (supporting the task and finish group throughout)
- Officer from Rochdale Council (joint pilot authority)

4. What we found out!

4.1 Rochdale's Council Tax is provided 'in-house,' which they found easier to deal with. They had found £33,261 against an estimated target of £30,800 of council tax money that could be brought back into the system. Some exemptions went back a couple of years, but they sought recovery back to when ownership took place. At any one time 20%-25% of council tax is wrongly coded, with people claiming exemptions when they shouldn't.

4.2 In Rochdale they had employed a consultancy to undertake the pilot. They were knocking on doors to try to gain access to 50 properties, to ascertain the state of the properties and to produce a report on how far away from completion the properties were.

4.3 Rossendale Council had employed a member of staff to work 50% of his time on the 'ratings' and 50% on residual benefit fraud. At the task and finish group's first meeting, the group received an update on work undertaken during his first 3 weeks in post.

- 4.4 In Rossendale the initial number from March 2015 was 181 exemptions, with some already actioned. Thirty two letters had been sent out for clarification purposes, and 10 letters had been sent to properties where the Council was aware that the exemption was wrong.
- 4.5 There were 3 different scenarios which could lead to non-domestic rates not being billed which were:-
- i. Those exempt from the rating with statutory exemptions.
 - ii. The small number of cases, 40 non-domestic rates, where the Valuation Officer was saying they were in rating but with zero value.
 - iii. Properties which were simply not rated and we didn't know about it.
- 4.6 There was not a great deal of issues with exempt/nil rated properties, but it was agreed that what was needed was to look at those 'not in rating'.
- 4.7 Since 2003 there had been 1200 domestic properties that had come out of ratings and 2500 NNDRs (National Non-domestic Rates). The vast majority of these were properties that had been genuinely demolished or had been reconfigured and were now rated as part of something else.
- 4.8 It was acknowledged that it would be labour intensive to narrow down the numbers described in 4.7 to cases that were not in rating and potentially should be. It was agreed that this exercise was needed.
- 4.9 Officers clarified that all exemptions were checked, but it was envisaged that the project would also be able to pick up on more complex cases that routinely would be missed. Whilst there would be some 'quick wins' across the various exemption types, part of the work would be to tighten up procedures which would provide longer term benefits to the Council.
- 4.10 As work progressed over an eight week period, the task group received further information which was very positive.
- 4.11 From the 181 exemptions highlighted in 4.4, 46 letters were sent out. Eight of these were conflicting letters where the Council knew the owner/liable party was incorrect and 38 were general letters where the Council had no land registry documentation to confirm the up-to-date owner.
- 4.12 Of the 46 general letters, only 6 hadn't replied and 2 of those had been amended by the billing team following separate information being provided. Therefore, in real terms only 4 had not replied.
- 4.13 Since the new member of staff had taken on the role, 16 accounts had been amended which resulted in £27,077.19 being written on in Council Tax debt, of which £20,832.02 was down to the exemption exercise highlighted above,

with a further £4,245.17 due following miscellaneous investigations still relating to exemptions/discounts.

- 4.14 Whilst Rossendale send out letters, Rochdale do not write to the owner, they automatically make the charge, create the bill and if the bill is disputed they would have to ring Rochdale to discuss the issue further.
- 4.15 Rossendale also targeted students who say they are undertaking a 12 month university course but drop out early and continue to claim Council Tax discount.
- 4.16 From an anti-fraud perspective, the Council needed to complete its review of exemptions and discounts granted. The aim was to find incorrectly granted exemptions and to build in additional safeguards where officers identify those areas which seem most prone to fraud and error. Work would continue in order to identify an accurate list of properties deleted from rating, which may potentially come back into use. These activities would increase the tax base and additionally could compliment the Council's broader empty homes strategies.
- 4.17 Rochdale used a 'mark-up,' whereby if a property is deleted but is expected to be brought back into rating, they put a 'temporary' deleted marker onto the system – they have a list of 100-200 coded as temporary deleted. Using the counter fraud funding they sent an inspector out to check if the property is being updated, or is change of use.
- 4.18 An additional update on project activity was provided to members of the task and finish group 6 months into the project. The update was very positive.
- 4.19 Work would be continuing in relation to student exemptions, and the Council would be sending a list of students to the college to ask them to confirm whether they were still on course. This activity would identify those students who had left their course early but continued to claim Council Tax discount.
- 4.20 The exemption exercise had been re-run and had identified an additional 118 needing further investigation. Of these, 32 had been sent general letters and £5,888.72 had come from that exercise. In relation to exemption exercises, Rochdale assisted with Land Registry checks and it was intended run this exercise every 6 months.
- 4.21 A package called Analyse Local had been purchased at the end of December from project funds. The package had two benefits. The Rateable Value finder assisted with changes that businesses have had, and within 3-4 weeks of using the package, 6 cases had already been identified that could potentially bring in an extra £33k in non-domestic rates. The Rateable Value finder took 10% of what it found (at the point of the debt being written onto the system), and it was up to the Council to get the money in. The second benefit was the forecasting tool which provided Finance with assistance in predicting where appeals may come in and identify threats to the rating base. The Council had

previously applied a general percentage figure to make these predictions but the tool provided a more accurate guide.

- 4.22 The Council Tax and Council Tax Support Sanction and Prosecution Policy had been drafted and would be going to Cabinet for adoption. The policy would serve to act as a deterrent to those who did not follow the correct procedures, and would mean that when the policy was passed, the Council would be able to issue civil penalties and use this information on letters to act as a deterrent. This would serve to highlight the importance of keeping the Council informed of any changes.
- 4.23 There were currently 535 properties that had been removed from the listing and there was still quite a bit of work to do on this. There were 13 visits planned but other checks would also be required, for example, with the Planning Team.
- 4.24 In relation to Housing and Council Tax Benefit, Council Tax Support, Council Tax and NNDR, there was £151k debt written on in the form of overpayments, adjustments to bills or new bills altogether. Over the last 6 months £53.5k of the £151k had been paid. The balance was not bad debt, it was just debt that had not yet had time to be paid back. An increase in this was expected in the next 12 months.
- 4.25 More work was required relating to the deleted marker system. Deletions were still on the system and the project officer was trying to work out which were genuine deletions and which were reconfigurations.
- 4.26 Project funding would end in March, but the dedicated post would continue for a further 12 months. This work would not be able to continue beyond this point without a cost/benefit analysis to demonstrate that the post would continue to bring in money for the Council. A decision would need to be made at this point regarding the future of the post. In the meantime, a letter had been sent requesting to extend the project. This would enable the post to continue part funded until the end of the fixed term contract, as well as support any additional costs beyond the projects current end date in March. Project funds were still available to support this.

5. CONCLUSIONS

- 5.1 The project activity has generated more money than the costs of the post and any other expenses, and as such this has been a worthwhile project. It would be important to continue monitoring the results of the activities and report back to the Portfolio Holder throughout the remainder of the fixed term contract.
- 5.2 The various exercises being undertaken as part of the project were financially beneficial to the Council in reducing fraud and recouping costs.

- 5.3 The project officer would continue to try to identify students who had left their 12 month university course early, but had continued to claim Council Tax discount.
- 5.4 It was intended to run the exemption exercise and send batches to Land Registry for checking every 6 months. Members noted that it would be good to see if there was capacity to undertake this exercise in-house for future searches, and to reduce costs in the longer term, should the post continue beyond the end of the project.
- 5.5 The Analyse Local package appeared to be a good investment as the Rateable Value finder helped identify changes to businesses and would help bring additional non-domestic rates in, plus the forecasting tool assisted the Finance Team in predicting where appeals could come in and identify threats to the rating base. However, since the Rateable Value finder takes 10% of what it finds and leaves the billing authority to collect the money, it would be good to review the effectiveness of the package and whether it provided value for money further down the line.

6. **RECOMMENDATIONS**

- 6.1 That consideration be given by the Council's Management Team, subject to a detailed business plan, that the post dedicated to Counter Fraud Project activity continue at the end of the fixed term, so long as the finances coming in continue to be more than the costs of the post and any associated expenses.
- 6.2 That officers investigate whether there would be capacity to undertake Land Registry checks in-house rather than continuing to use Rochdale's Land Registry.
- 6.3 That an update on the use of Analyse Local is provided at the end of the project to the task and finish group members.
- 6.4 That Cabinet adopt the Council Tax and Council Tax Support Sanction and Prosecution Policy to support the Counter Fraud Project work and to enable officers to use the policy to act as a deterrent against fraudulent activity.

Chair's Thanks

Thanks and appreciation to all those who supported the task and finish group with this review, especially Andrew McGhee, Ian Walker, David Presto and Darryl Lawrence from Rochdale Council.