

Cambridgeshire Council Tax Compliance and Counter-Fraud Initiative

Business Case

September 2021

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1.0 Background

- 1.1 Council Tax discounts, exemptions and reductions exceed £90m across the County-wide area. Whilst all Billing Authorities carry out checks to ensure that awards are correct based on the information available, invariably there will be a proportion that are claimed incorrectly or for longer than applicable. Billing Authorities are responsible for ensuring that Council Tax that is due is collected on behalf of themselves, Parish Councils, Cambridgeshire Police, Cambridgeshire Fire and Cambridgeshire County Council. The financial impact of non-collection falls mostly to the County Council which receives at least 68% of the total Council Tax collected in each district.
- 1.2 The cost of discounts, exemptions and Local Council Tax Support (LCTS) represents a direct reduction to the tax base, and so the cost is split proportionately between the Local Authorities. As a result, there is a shared interest in ensuring that a robust regime is in place for detecting fraud and potential compliance anomalies.
- 1.3 CIPFA's annual fraud and corruption tracker (based on responses from 142 Local Authorities) revealed that Council Tax scams make up approximately 78% of all fraud at Local Government level, with an estimated value of £30.6m. Fraud was detected across multiple areas such as disabled parking concessions, housing, business rates and Adult Social Care. Council Tax fraud was not only the largest area with a total of 71,000 cases detected in England in 2018-19, but this figure also represented an increase of 22% on the 57,894 cases in 2017-18. Rob Whitemand, CIPFA chief executive said, "The unlawful diversion of funds away from local authorities only adds further stress on vastly underfunded public services. The sector is moving in the right direction, but only a greater focus on collaboration and preventative measures will help create long-lasting change"¹.
- 1.4 Local Authorities are facing significant financial uncertainty beyond 2021 pending national reforms to the distribution of funding between Local Authorities and in light of unsustainable pressures on demand-led services such as Adult Social Care. It is therefore crucial that Councils continue to pursue every available option to collect additional income to support the wider Cambridgeshire public service system.
- 1.5 Although there are already relatively healthy Council Tax collection rates across Cambridgeshire, we believe that this kind of project could potentially generate additional income for all Local Authorities involved, grow our Council Tax base, and deliver enhanced fraud detection capability, all without significant risk.
- 1.6 Essex County Council implemented a Council Tax sharing agreement with the Essex Billing Authorities in 2013/14 which has helped to raise an additional £46m in Council Tax for Essex Local Authorities over a 6-year period. The following aspects of the agreement will be considered in the development of a similar model for Cambridgeshire:
 - A gain sharing arrangement which rewards Billing Authorities for successfully increasing Council Tax collection rates
 - Investment by the County Council in Billing Authority revenues and benefits and counter fraud activity

¹ <https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/council-tax-fraud-represents-78-of-local-government-fraud>

- A data matching and sharing solution which facilitates effective use of the data available to Local Authorities to maximise Council Tax revenue
- Collaborative performance monitoring arrangements to allow payment by results

1.7 Any measures to drive up Council Tax take in Cambridgeshire rely on the involvement and insight of Billing Authorities. This would require increased resource within Billing Authority Revenues and Benefits teams whilst delivering the greatest income to the County Council which receives a significantly larger share of the tax base. We are therefore proposing a gain and risk share arrangement which takes account of the distribution of Council Tax income between Local Authorities in Cambridgeshire.

2.0 The Current Process

2.1 Revenues and Benefits Managers from across Cambridgeshire meet regularly to discuss topical issues and share best practice, as part of the County Revenues Group (CRG). The CRG has previously worked together on a number of compliance initiatives, in conjunction with the County Council, which have mainly focussed on a review of the Single Person Discount, being the biggest cost to the tax base collectively across Cambridgeshire, surpassing LCTS.

2.2 Periodic reviews are carried out by all Billing Authorities to ensure that Council Tax discounts and exemptions granted are being claimed legitimately. However, the frequency of reviews and resource committed to them currently varies between Councils.

2.2 Billing Authorities also participate in the National Fraud Initiative, a national scheme where Councils provide various data sets to the Cabinet Office annually which are cross checked, and any inconsistencies are reported for further investigation.

2.3 Variable levels of success are recorded from such strategies, mainly due to the fact that data is reviewed only annually, and the CRG is keen to explore new and innovative ways of implementing an effective compliance and counter-fraud regime.

2.4 The financial benefits derived from these interventions will be shared between the County Council and the relevant Billing Authority, based on set percentages.

3.0 Options for a new approach

3.1 It is the opinion of the Revenues and Benefits Managers within the County that a single integrated approach should be taken to ensure that all claims for discounts, reductions and exemptions are robustly reviewed throughout each financial year in order to detect fraud and error.

3.2 This business case outlines the proposed approach and requests support from both the Billing Authorities and Precepting Authorities, with the exception of Parish Councils, in the introduction of this new approach. If agreed, it is proposed that the new procedures will take effect in Q4 2021.

3.3 In order to support this new integrated approach, Billing Authorities will be provided with additional resource to increase the overall level of compliance work and where necessary to clamp down on fraud and unreported changes in circumstances which would disqualify taxpayers from accessing discounts and exemptions.

- 3.4 The CRG has considered alternative options and looked at the approaches taken by other Local Authorities to minimise Council tax fraud and error. In the view of the CRG, the arrangements implemented by the Norfolk and Essex Authorities are suitable for replication in Cambridgeshire. Whilst both offerings are focussed on the same goal, the approaches taken are slightly different.
- 3.5 Across Norfolk, software has been procured by the County Council to match a range of data sets, highlighting areas where anomalies exist. The results are then distributed to Billing Authorities for further investigation. The County Council provides additional funding for this investigative work on a request basis, dependent upon business cases put forward by each authority.
- 3.6 In Essex, whilst the concept is largely the same, the approach differs in that a bespoke software package has been purchased which each Billing Authority accesses and inputs information into. There is also a gain share agreement between the County Council and Billing Authorities to ensure the investigative work is sufficiently resourced, and to incentivise continual improvements in performance.
- 3.7 The option to do nothing was discounted as there is a clear need to invest in compliance and counter-fraud activity to protect the taxbase and ensure fairness for all Council Tax payers. Initial analysis of the potential financial benefits and results achieved by other Local Authorities that have implemented similar arrangements suggests that the project represents good value for money for all Authorities involved.
- 3.8 It is proposed that Billing Authorities provide their own funding contribution in each case that is proportionate to their relative share of Council Tax income in order to ensure that the risks are shared fairly between authorities; See section 7 for details.

4.0 Approach to the business case and General Principles

- 4.1 It is essential that each Billing Authority is able to develop its own individual approach to compliance and counter-fraud, which is tailored to its specific demographics, priorities and procedures whilst following some agreed core processes.
- 4.2 Each Billing Authority must undertake to actively participate in this initiative, sharing agreed datasets, reviewing the output and taking subsequent action as necessary. These activities should be supplementary to business as usual commitments and therefore the project investment sums must be ring-fenced for the purpose of additional Compliance and Counter Fraud activity. The following sections 4.3 – 4.8 set out some of the key aims of these activities;
- 4.3 In order to reinforce a culture of zero tolerance to fraud in support of the aims of the project, it is essential that every opportunity is taken to ensure that any Council Tax reductions are only granted where appropriate and that taxpayers are encouraged to report changes in circumstance swiftly;
- 4.4 The key purpose of the additional investment facilitated by the project is to increase the Cambridgeshire tax base by ensuring that any discounts, reductions or exemptions granted

are correct, regularly monitored, and withdrawn promptly if eligibility criteria cease to be met;

- 4.5 To ensure that all changes in circumstances are reported to the Billing Authorities within the statutory timescale of 21 days or in any event, as soon as practicable, so that a revised Council Tax demand can be issued;
- 4.6 To undertake frequent monitoring, inspections and enquiries through direct contact and data matching to establish whether any reductions, discounts or exemptions are correct. Where appropriate this will be facilitated by:
 - a. Introducing a greater level of interventions in respect of Council Tax Reduction;
 - b. Introducing a greater level of interventions in respect of exemptions, disregards and single person discounts including, where appropriate, an increase in visiting, cross checking and reviews; and
 - c. Increasing the use of information held by each authority and by other authorities within the County to establish entitlement.
- 4.7 To, where appropriate, enforce compliance through the imposition of penalties (which may be applied to all Council Tax discounts, exemptions and reductions) and in all cases to highlight to taxpayers the potential consequences of claiming discounts, exemptions and reductions incorrectly or illegally;
- 4.8 To, where appropriate, prosecute taxpayers who deliberately defraud the authorities by falsely claiming discounts, exemptions or reductions. This action may also serve to increase the profile and importance of paying the correct level of tax and zero tolerance approach to tax evasion generally.
- 4.9 The costs of the additional investment required to facilitate the above activity will be shared between the Billing and Precepting Authorities and will be proportionate to the financial benefits gained by each authority.
- 4.10 The financial return generated by the project will be measured based on the removal of discounts, exemptions and reductions as set out in section 9. Further work to determine this methodology will be undertaken as part of this project. All results will be shared within the group and analysed on a quarterly basis.

5.0 Outline of Business Case

- 5.1 The business case is divided into two distinct areas, namely:
 1. Resourcing of compliance and counter fraud activity undertaken by Billing Authorities including development of new approaches to minimise the Council Tax income lost due to fraudulent or incorrect benefits, discounts or exemptions claims; and
 2. Procurement of a software solution to enable the sharing and matching of data sets across all of the Cambridgeshire authorities in order to identify inconsistencies for further investigation. The results of the matching will allow authorities to isolate cases

where reductions, discounts, exemptions may have been claimed incorrectly or fraudulently. The availability of this additional intelligence will, to a significant extent, support the additional activities outlined in 1. above.

5.2 Cambridgeshire County Council will also contribute data sets to be cross checked against data held by Billing Authorities. The Billing Authorities will investigate any anomalies identified by the system, and dataset owners will need to review their data to ensure accuracy. The County Council will also make use of the intelligence generated to ensure that service provision is appropriately aligned with need in any specific instances where intelligence suggests that this may not currently be the case.

6.0 Outline approach

This section sets out the specific approaches to be taken by each participating authority in discharging its responsibilities as set out in section 4.0 of the business case.

6.1 Billing Authorities are expected to widen the scope of their compliance and counter fraud activities to include all areas of Council Tax reduction, discount and exemption.

6.2 In general, it is proposed that the actions to be taken will be as follows;

6.3 Undertaking a full review regime, each authority will agree to the following;

- To review all reductions, discounts and exemptions to ensure that they are granted correctly and that where incorrect, the reduction, discount or exemption is removed or reduced accordingly. In effect this will require the authority to undertake an extensive programme of reviews or interventions;
- To maximise the potential income for the tax base by ensuring that, where any reduction, discount or exemption is reduced or removed, action will be taken from the earliest possible date including previous years, where appropriate; and
- To consider the imposition of penalties in line with that available under the Local Government Finance Act 1992 (with penalties of £70 being imposed where changes in circumstance are not notified to the authority within a period of 21 days or such time decided by the authority).

6.4 Each authority will commit to;

- Operate a regime which will protect the tax base as far as possible and to engage in activities that will meet all of the objectives identified above. The principles of each approach shall be made available to all participating authorities;
- Finance the initiatives in line with the formula given below (costs of implementation) and to share the additional savings in line with the agreement;
- Ensure that all new initiatives are in addition to actions currently undertaken and are of such type that they do not form part of the normal activities associated with the administration of Council Tax;

- Share the outcomes of any initiatives with other authorities within the group.
Compliance & Counter Fraud – Council tax Cambridgeshire Revenues and Benefits Managers
- Review and act on intelligence obtained as a result of the initiative pertaining to their specific functions as a local authority within the geographical area which they serve
- Share information with partner authorities as necessary to enable all authorities to fulfil the commitments set out above

6.5 Implementation of Data Sharing Software

The purchase of data sharing and matching software will be subject to a procurement process to be undertaken by the County Council’s Procurement Team. This process will be supported by a Working Group including representatives from each of the participating authorities which will be led by the County Council. The implementation and integration of the software solution will allow for data sharing across all of the authorities.

The regular upload of datasets to the shared data matching system is fundamental to the success of the initiative as reliance will be placed on access to current, relevant intelligence to enable each authority to proactively investigate cases of potential fraud and error. Post implementation, each Billing Authority will undertake both to supply data to the system on a bi-monthly basis and to action ‘mis-matches’ as reported to them by the software.

Cambridgeshire County Council will also undertake to supply data to the system which will then share the anomalies generated with the relevant Billing Authority for further investigation. It is anticipated that the data matching software will be introduced in late quarter 3 / early quarter 4 of financial year 2021/22

7.0 Costs

- 7.1 It is proposed that the anticipated costs of additional staff resources and software licensing fees across the three years of the agreement term will be funded by Cambridgeshire County Council, Police and Fire Authorities and Billing Authorities in the following proportions based on the benefits expected to accrue to each Authority;

Authority	Staffing £	IT costs £	County Share £	BA Share £	Police Share £	Fire Share £
Cambridge City	140,000	41,000	98,538	52,322	23,239	6,902
East Cambs	140,000	25,000	88,956	48,834	20,979	6,230
Fenland	140,000	27,000	85,592	55,227	20,186	5,995
Huntingdonshire	140,000	49,000	99,918	58,520	23,564	6,998
South Cambs	140,000	31,000	91,079	52,062	21,480	6,379
Totals	700,000	173,000	464,082	266,965	109,449	32,504

Fig 1. Estimated costs over 3-year period. IT costs vary per District due to variable pricing model for Single Person Discount solution

- 7.2 The County Council, Police and Fire shares of the investment costs will be paid to the Billing Authorities on an annual basis.
- 7.3 The additional income raised as a result of the compliance and counter fraud activity undertaken will be assessed in accordance with the methodology set out in section 9.0 and Billing Authorities will maintain records of the additional income generated. Billing Authorities are expected to report the results of the work undertaken to Precepting Authorities on a 6-monthly basis. The benefits accruing to each authority will be calculated as set out under the sharing agreement detailed in section 8.0.

8.0 Benefits

- 8.1 The anticipated benefits have been modelled based on the actual values of Local Council Tax Support, Single Person Discount and other prescribed discounts and exemptions as of 31st March 2021 as a proportion of local tax base within each district. The follow assumptions have been applied to calculate the total anticipated savings on each category of benefit by the end of the 3-year agreement term:

Discount/benefit	Percentage reduction
Local Council Tax Support (LCTS)	1.6%
Single Person Discount (SPD)	4.4%
Other prescribed discounts and exemptions (OPDE)	2.7%
Overall saving	3.0%

- 8.2 Based on the proportional savings set out above, the total anticipated financial benefit before deduction of investment costs is as follows:

Billing Authority	Total LCTS (£,000)	Total SPD (£,000)	Total Other reductions (£,000)	Total reductions (£,000)	Estimated savings (£'000)
Cambridge City	7,929	7,458	1,351	16,737	491
East Cambs	4,086	4,510	2,354	10,950	327
Fenland	7,784	5,488	2,029	15,301	421
Huntingdonshire	7,354	9,515	2,215	19,084	596
South Cambs	6,985	8,144	2,345	17,473	533
Totals	34,136	35,115	10,293	79,545	2,369

Fig 2. Estimated savings as % of taxbase reductions. Some categories of reduction have been excluded from the calculation on the basis that existing checking regimes are considered sufficiently robust to eliminate the risk of fraud and / or error.

- 8.3 It is proposed that Billing Authorities will receive a base share of 25% of the additional Council tax collected on behalf of Cambridgeshire County Council to be redistributed on an annual basis.
- 8.4 Assuming a combined average saving of 3.0% of total Council Tax reductions as detailed in section 8.1, the total anticipated savings accruing to each authority would be as follows:

Billing Authority	Redistributed Savings (£)*	Net County Share (£)	Total BA Share (£)	Police Share (£)	Fire Share (£)
Cambridge City	89,186	267,557	142,069	63,100	18,740
East Cambs	58,832	176,496	96,891	41,625	12,362
Fenland	71,892	215,675	139,162	50,864	15,106
Huntingdonshire	105,050	315,151	184,578	74,325	22,073
South Cambs	94,699	284,097	162,393	67,001	19,898
Totals	419,659	1,258,976	725,092	296,915	88,179

* Share of savings redistributed from the County Council to Billing Authorities based on the methodology set out in sections 8.3 – 8.4 above.

- 8.5 After deduction of the proportionate investment costs set out in section 7.1, the estimated net savings accruing to each authority over the three-year project period are as follows:

Billing Authority	County Share (£)	BA Share (£)	Police Share (£)	Fire Share (£)
Cambridge City	169,020	89,747	39,861	11,838
East Cambs	87,540	48,056	20,645	6,131
Fenland	130,083	83,935	30,679	9,111
Huntingdonshire	215,234	126,058	50,760	15,075
South Cambs	193,018	110,331	45,521	13,519
Totals	794,894	458,127	187,467	55,674

- 8.6 The methodology used to distribute the costs and benefits afforded by the scheme will be reviewed by all participating authorities three years after implementation, and a new review date will also be set.

9.0 Measuring Success

- 9.1 It is proposed that savings are calculated using a model already developed by The Cabinet Office's National Fraud Initiative.
- 9.2 Within the model, each dataset has its own methodology to calculate estimated savings, taking into account data relevant to the fraud problem, including national published data, regional variances and policy context to the fraud.
- 9.2 Billing Authorities will be required to provide the Precepting Authorities with the agreed performance information on a biannual basis after the commencement of the agreement.
- 9.3.1 Performance will be reviewed in line with business case targets on an annual basis and the CRG will serve as a forum to discuss any issues impacting project deliverability.

10.0 High Level Plan

	Responsible	Date
Sign off business Case (all partners)		September / October 2021
Data Sharing agreements / Impact assessments		September / October 2021
Agree monitoring arrangements and software spec		September / October 2021
Undertake procurement exercise		November 2021
Roles commence & Training		December 2021 – February 2022
Implement system		December 2021 – February 2022
Evaluate effectiveness and monitor benefits		Ongoing
Implement changes as required		Ongoing

11.0 Key Risks and Issues

- Timescales slip due to lack of resource
- The amount of fraud has been wrongly predicted (could be more as well as less)
- System costs more than anticipated
- Stakeholders are unable to agree on processes and or procurement requirements resulting in timescales slipping
- Changes in legislation

12.0 Equality Impact Assessment

- 12.1 The impacts of the proposals on Cambridgeshire residents have been considered and no foreseeable risks of negative impacts have been identified. There are also considered to be no risks of disproportionate impacts on specific groups with protected characteristics.
- 12.2 Residents who are not currently receiving correct levels of discounts, exemptions and other Council Tax reductions based on their personal circumstances will see their bills adjusted accordingly. Residents who benefit from Council Tax reductions that are appropriate to their personal circumstances will not experience any adverse impacts as a result of the proposals.

13.0 Key Stakeholders

Name	Authority	Job Title	Role
Ashling Manning	Cambridgeshire County Council	Finance Business Partner- Business Planning	Project Team
Katie Kelly	South Cambridgeshire District Council	Revenues Manager	Project Team
Dawn Graham	South Cambridgeshire District Council	Benefits Manager	Project Team
Tara Nutbeam-King	South Cambridgeshire District Council	Corporate Fraud Manager	Project Team
Jonathan Tully	Cambridge City Council	Head of Shared Internal Audit, SCDC and CCC	Project Team
Kevin Jay	Cambridge City Council	Revenues Manager	Project Team
Amanda Burns	Huntingdonshire District Council	Head of Revenues and Benefits	Project Team
Ian Davies	Huntingdonshire District Council	Revenues Manager	Project Team
Neil Oxbury	Anglia Revenues Partnership	Fraud Team Manager	Project Team
Katey Mills	Anglia Revenues Partnership	Assistant Fraud and Visits Manage	Project Team
Lesley Walker	Anglia Revenues Partnership	Operations Manager	Project Team
CFO	Multiple		Sponsoring Group
Matthew Warren	Office of the Police and Crime Commissioner & Cambridgeshire Fire and Rescue Service	Deputy Chief Executive	Precepting Authority
Council Members	Multiple		Public representative
Public	N/A	N/A	Service users requiring comms to prevent fraud/Council Action

