

Subject:	Annual Fraud Report 2018/19	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	30 th July 2019
Report of:	Fraud & Compliance Officer	Portfolio Holder:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: N/A
Biodiversity Impact Assessment	Required:	No	Attached: N/A
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1.	RECOMMENDATION
1.1	Members are recommended to note the content of this report.

2. PURPOSE OF REPORT

- 2.1 Provide details of the Fraud & Compliance work completed and performance results during the period 1st April 2018 to 31st March 2019.
- 2.2 Outline the plans for 2019/20.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation in this report involve risk considerations as set out below:

The report's whole focus is based on the work of the Fraud & Compliance Officer and the mitigation of the risk of fraud.

In common with all other public bodies, Rossendale Borough Council is potentially vulnerable to fraud, either internally by its employees, or externally from members of the public. The Council has an on-going duty to protect the public purse. This report, summarising the work of the Fraud and Compliance Officer, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

5. BACKGROUND AND OPTIONS

- 5.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There is a duty to have effective controls and procedures in place to prevent, detect, and investigate fraud and error in Council Tax Support, Council Tax and Business Rates, [responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions on the 1st May, 2015, along with the Council's Fraud Investigation Officer at that time]. Therefore the Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

5.2 The objectives of the Fraud and Compliance Officer are to:

- Protect public funds.
- Undertake fraud prevention measures.
- Detect and stop fraud, thus making financial savings to the Council.
- Implement sanctions in accordance with Council prosecution policy.
- Ensure that investigations comply with the regulatory environment.
- Increase fraud awareness.
- Link into the Council Tax and Council Tax Support Penalty & Prosecution Policy [last reviewed and updated in 2019].

5.3 PARTNERSHIP WORKING

The Fraud and Compliance Officer acts as Single Point of Contact (SPOC) for:

- Providing information on Housing Benefit investigations to the Department for Work and Pensions.
- Liaising with the Police and other Local Authorities/Agencies by dealing with requests for information under the Data Protection Act and other legislation.

This is work which would otherwise have been allocated to the benefit assessment team.

The Council is an active member of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.

The Fraud and Compliance Officer works closely with Lancashire and Greater Manchester Local Authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

5.4 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office, to assist in the prevention and detection of fraud. Data is collected from around 1,200 participating organisations across public and private sectors including government departments. Data matching involves comparing sets of data electronically, such as the payroll or benefit records, against other records held by the same or another body to see how far they match. The data matching allows potentially fraudulent claims to be identified.

In January 2019 the NFI released a biannual set of data matches to all Councils for review. It is the job of the Fraud & Compliance Officer to check those cases which have been matched against the Authorities Housing Benefit and Council Tax Support records. Any fraud identified will either be referred to the DWP for investigation [Housing Benefit matches] or investigated by the Fraud and Compliance Officer.

This year there were 513 matches in total, as follows:

Council Tax Reduction Scheme		Housing Benefit Claimants	
Risk	Matches	Risk	Matches
High	14	High	24
Medium	183	Medium	14
Low	141	Low	155
Nil	2	Nil	0
Total	320	Total	193

All matched cases have to be checked against the benefit system, the majority of matches have appeared on previous year's reports. To date all the Housing Benefit matches have been checked and the majority of Council Tax Support matches have been checked, there are around 100 low risk Council Tax Reduction matches outstanding. Approximately 25 cases have led to further enquiries, benefit reassessments or an investigation being conducted.

The exercise has to be completed by December, 2019.

5.5 FRAUD AWARENESS TRAINING

During 2018/19 the Fraud & Compliance Officer designed a fraud Desk Aide for Capita staff working within Revenues [Council Tax and Business Rates], Benefits & Customer Services [who deal with the assessment of claims, customers & their representatives], to help them spot possible fraud and error. It supports these staff in being vigilant and aware of their responsibilities towards fraud and signposts them on how to make a good quality fraud referral.

The Fraud and Compliance Officer also conducted Fraud Awareness Sessions for staff working in the One Stop Shop and within Revenues & Benefits. These sessions included the security of claims, [including staff declaring an interest in any claims/properties], what is fraud within the differing areas of Revenues & Benefits, fraud in the 'hidden economy' [incorporating what to look out for] and a general Question & Answer session.

Following these sessions, the number of fraud referrals from staff has increased and claim vigilance queries have increased.

The Fraud Referral forms used by Revenues & Benefits staff have all received a revamp by the Fraud & Compliance Officer.

Internal staff and member training will be reviewed this year.

5.6 UNIVERSAL CREDIT

From the 21/11/18 Universal Credit rolled out in the Rossendale area. Therefore with some exceptions there will be no new Housing Benefit claims for working aged people. As current Housing Benefit claimants start to have changes in their circumstances, some claims will transfer onto Universal Credit, when this happens Housing Benefit will cease. Pension age people will continue to claim Housing Benefit. Claimants will continue to claim Council Tax Support from the LA. The impact of these changes on fraud is not yet known.

5.7 SURVEILLANCE

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance

has been undertaken in Rossendale in 2018/19.

5.8 SPECIAL EXERCISES

A one off child care cost exercise was undertaken on all Council Tax Support and Housing Benefit claims, to check that the correct cost of child care was being allowed as an expense on the customers claim. The work involved:

- Identifying cases where child care costs [CCC] were included as an expense – 77 cases identified, with CCC for 109 children.
- Writing to all the nurseries/child care providers.
- Of the 77 cases, 14 cases were correct and 1 contained an assessment error.
- 62 Customers were interviewed; these claims were subsequently amended to include the correct CCC.
- Overpayments raised and future savings generated are included within the 2018/19 performance figures [included later within this report].

A few other smaller exercises were conducted, including looking at class I Council Tax Exemptions [residents who are in care homes], Class L Council Tax Exemptions [repossessions] and small businesses with small business rate relief.

5.9 NEW INITIATIVES

Joint working with the department for work & pensions.

From the 29th April, 2019 the Fraud & Compliance Officer has signed up to a national offer of joint working with Officers from the Department for Work & Pensions [DWP] on allegations of fraud which include Council Tax Support. This is a voluntary scheme.

Suitably identified cases will be jointly investigated by the Fraud & Compliance Officer and a Criminal Investigator from the DWP. This includes close liaison during the investigation and the lawful sharing of evidence obtained. Once the evidence gathering process is complete, the customer will be interviewed under caution, by both Officers at the same time. The DWP will refer cases to the Crown Prosecution Service for consideration of legal proceedings being taken on both the DWP and LA offences.

The advantages of the joint working include:

- The customer having to attend one interview.
- One case proceeding through the courts for similarly connected offences which are dealt with by the Magistrates/Judge at the same time.
- LA's save money as they are not paying prosecution/legal costs.

5.10 PERFORMANCE & STATISTICS

During 2018/19 168 allegations of fraud were received, these come from various sources such as anonymous referrals, our online fraud referral form, the HB/CT processing team etc. Referrals were also generated from proactive work, such as the child care cost exercise. [This figure does not include those picked up doing special projects such as the NFI or child care costs exercise].

During the 2018/19 year 97 cases were referred to the DWP for their consideration. The

DWP's Criminal Investigation Team issued 64 requests for information in relation to their investigations of Housing Benefit. There is no requirement for the DWP's Compliance Investigation Team to request further information off the Authority in relation to their investigations.

As a result of the Fraud & Compliance Officer involvement/investigations overpayments of Housing Benefit and Council Tax Support totalling £124,859.44 were raised between 01/04/18 – 31/03/2019.

An additional methodology to identify counter fraud performance is also in place. This is because when a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the Fraud & Compliance Officer, the value of the intervention is actually not just the amount of any overpayment that has occurred.

It is recognised that there is also a "future" saving, resulting from preventing further incorrect payments being made. In these cases the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place.

This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for Rossendale BC is £359.88, giving estimated "future" savings for 2018/19 of £18,713.76. [It should be noted that "future" savings can only be estimated, but do help demonstrate another benefit to the Council of undertaking counter fraud work]. This saving is only calculated against Council Tax Support.

The Analyse Local system is utilised to generate additional income, by finding business rates rateable values that aren't on our system and increased rateable values on business premises. During 18/19 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable value of £125,675. Based on the 2018/19 rate multipliers and for a full year this equates to £60,817.68 in gross rates payable.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 Financial matters are noted within the report.

7. MONITORING OFFICER

7.1 Legal implications are noted within the report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 There are no policy implications and no consultation required.

9. CONCLUSION

9.1 There are no direct financial implications arising from this report. However, the Fraud & Compliance Officer has generated savings for the Council from their Counter Fraud work, and delivers value for money. It should be noted that there is an intention for Councils to keep 75% of the Business Rates they collect from 2020. The Council recognises the impact that collection of Business Rates will have on its finances in future. The Fraud & Compliance Officer will seek to ensure that the tax base is maximised by dealing with fraud in the system.

This report has been developed to provide performance information in relation to the activities conducted by the Fraud & Compliance Officer; it is produced for perusal and comment by

Members. Elements of the role, for example acting as Local Authority Single Point of Contact for the DWP and completion of the National Fraud initiative are mandatory. There are other activities such as Joint Working with DWP for which the Council has made a voluntary commitment. An element of the work programme is determined by the number of fraud referrals received.

There remains scope within the workload for other proactive exercises to be undertaken. Feedback on future activity is welcomed.

No background papers