

Subject:	Annual Fraud Report 23/24	Status:	For Publication		
Report to:	Audit & Accounts Committee	Date:			
Report of:	Fraud & Compliance Officer	Lead Member:	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:	Yes/No	Attached:	No	
Biodiversity Impact Assessment:	Required:	Yes/No	Attached:	No	
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1. RECOMMENDATION

1.1 This report provides an update to committee on the work of the Fraud and Compliance Officer for 2023/2024.

2. EXECUTIVE SUMMARY

- This report updates the Committee on the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.
- This work has resulted in a financial saving to the Council and partner organisations.
- The Fraud and Compliance function provides assurance that if major fraud is attempted, there are systems in place to identify and prevent it.

3. BACKGROUND

3.1 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, deter and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The responsibility for Housing Benefit fraud investigation transferred to the Department for Work and Pensions (DWP) on 1st May 2015, along with the Council's Fraud Investigation Officer at that time. Local authorities retained the responsibility investigate Council Tax Support fraud, Council Tax exemptions, discounts and liabilities fraud and any Business Rate exemption and liability fraud. The Council made a decision to employ a Fraud and Compliance Officer, to prevent, detect, deter and investigate fraud within the Revenues area.

4. DETAILS

The objectives of the Fraud and Compliance function is to:

- Protect public funds.
- Undertake fraud prevention measures.
- Detect and stop fraud, thus making financial savings to the Council.
- Conduct investigations, implement sanctions and recommend appropriate follow on action in line with the Investigation, Sanction & Prosecution Policy, which is updated periodically.
- Ensure that investigations comply with the appropriate regulations.
- Increase fraud awareness.

4.1. PARTNERSHIP WORKING

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

- The provision of information on Housing Benefit investigations to the DWP.

- Liaising with the Police and other local authorities/agencies by dealing with requests for information under the Data Protection Act and other legislation.

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

4.1.3. 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.

4.1.4. The Council 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.

4.2. COVID-19

4.2.1. During the last year the Fraud and Compliance function has received no new referrals in respect of Covid related fraud and attempts thereof.

4.2.2. Following investigation, the Fraud and Compliance Officer has made a total of 37 recommendations for the withdrawal of a covid grant/s. It is likely that work around decisions to withdraw the grants, recovery of thereof and ongoing disputes will continue in the medium term. Once complete, I will report further.

4.2.4 During 2023/24, no Covid cases were closed. There are no direct financial implications for Rossendale in respect of this work, which is carried out on behalf of central Government.

4.2.5 The police's National Investigation Service (NATIS) are investigating the organised and cross boundary fraud activities targeting Local Authorities. To date there has been no feedback from NATIS regarding any Rossendale cases referred.

4.3. NATIONAL FRAUD INITIATIVE

4.3.1. 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 focuses on the identification of potentially fraudulent claims.

4.3.2. In February 2023, the NFI released its biannual set of data matches to all Councils for review and they will from time to time update these adding extra matches. This first release contained 98 matches relating to Housing Benefit or Council Tax Support over 15 report types. Following the initial release, a further 5 reports with a total of 78 new matches for checking.

4.3.3. Checks comparing the matches against Council records are undertaken. Any Housing Benefit fraud identified is referred to the Department for Work and Pensions for investigation. The Fraud and Compliance function will investigate Council Tax Support fraud.

4.3.4. The Fraud and Compliance Officer has checked all reports to date, of these 17 matches have been referred to the DWP and 25 matches are/have been being reviewed by benefits or

investigated. Two of the cases are being jointly worked on with a Criminal Investigator at the Department for Work and Pensions.

4.3.5. During 2023/24, 5 matches have been closed with a positive outcome, resulting in adjustments of CTS totalling £5690.17 and a Housing Benefit overpayment of £514.48. 12 cases have been closed with no fraud identified and 5 cases are ongoing.

4.4. FRAUD AWARENESS TRAINING

4.4.1. A mandatory fraud awareness e-learning training course is completed annually by all employees. All new council employees and members have to complete the e-learning fraud awareness course, as part of their induction to the Council and received a fraud awareness leaflet.

4.4.2. Fraud awareness sessions occur on a rolling basis for Revenues, Benefits and One Stop Shop staff. These sessions include:

- The security of claims (including staff declaring an interest in any claims/properties)
- What is fraud within the differing areas of Revenues and Benefits
- Fraud in the 'hidden economy' incorporating what to look out for
- A general Question and Answer session.

4.4.3. Fraud Awareness training for Revenues, Benefits and One Stop Shop staff was conducted in December 2023 and January 2024 and a handy guide for spotting warning signs of fraud was written and issued to staff at the training sessions.

4.5. SURVEILLANCE

4.5.1 Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). During 2023/24 no cases were identified for surveillance.

4.6. SPECIAL EXERCISES

4.6.1 No special exercises were conducted during 2023/24.

4.7. PERFORMANCE AND STATISTICS

4.7.1. During 2023/24 146 allegations of fraud were received from various sources such as anonymous referrals, the Council's online fraud referral form, the HB/CT processing team, the Business Rates team etc. The number of referrals increased in all areas except for business rates where they declined.

Fraud Area	Number of Referrals
Council Tax Support	86
Housing Benefit	19
Council Tax [single person discount/exemptions etc.]	67
Business Rates [grant fraud/small business rate relief fraud etc.]	5

4.7.2. These referrals were received from

Source	Number of Referrals
Anon Referral	11
Assessment Team	23
Council Tax Team	6
DWP LAIEF	1
Email	4

LA Staff [Internal]	3
NFI	9
NNDR Team	2
One Stop Shop	5
Online Referral Form	39
Other	3
Other LA Staff	1
SAT Team	10

4.7.3. The types of fraud relating to these allegations

Allegation	Number of Referrals
C/Tax - Other	13
C/Tax - Property Not Listed For Rating	5
Ctax - Exemption fraud	1
C/tax - Liability Fraud	11
C/tax - SPD Fraud	40
CTS - Change in H/H Composition	7
CTS - Living Together	22
CTS - Not Resident	4
CTS - Other Fraud	11
CTS - Undeclared Capital	6
CTS - Undeclared COC (other)	3
CTS - Undeclared Income	11
CTS - Undeclared Land/Property	5
CTS - Undeclared Non-Dependant	11
CTS - WWIR	7
HB - Change in H/H Composition	4
HB - Living Together	3
HB - No rent liability	2
HB - Not Resident	3
HB - Other Fraud	3
HB - Undeclared Capital	2
HB - Undeclared COC (other)	1
HB - Undeclared Non-Dependant	1
NNDR - Sublet part of unit	1
NNDR - Undeclared business premises	4

4.7.4. During the 2023/24 year 38 cases were referred to the DWP for their consideration.

4.7.5. The DWP's Criminal Investigation Team issued 23 requests for information in relation to their investigations linked to Housing Benefit fraud. There were 11 requests from the DWP's Compliance Team for further information in relation to their non-criminal investigations. These requests have now returned to pre-pandemic numbers.

4.7.6. Following the Fraud and Compliance Officers involvement/investigations, the following overpayments/adjustments were identified

Area	Value	Number of cases
Council Tax Support adjustment	£40,478.25	17
Single Person Discounts withdrawn	£1329.10	4
Housing Benefit overpayment	£43,976.67	4

4.7.7. Five £70 Council Tax Support penalties and three £50 Housing Benefit penalty were applied following fraud investigations.

4.7.8. 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 and Compliance function, 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.

4.7.9. The weekly figure for the Council is £197.39, giving estimated “future” savings from 2023/24 activity of £10,264.28. 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.

4.7.10. The “Analyse Local” System is used to identify properties that are missing from the rating list or are undervalued. Typically the cases identified through Analyse Local are those in remote locations, unreported alterations to existing sites and internal changes which have an effect on rental value. They tend to be scenarios which are not picked up through the general property inspection regime. During 23/24 the use of Analyse Local to assist in business rates forecasting generated a total additional rateable value of £17,010. Including backdating, the estimated rate yield from these cases is £15,009.22.

4.8. RECOVERY

4.8.1. Capita actively recover any Housing Benefit overpayments, Council Tax Support adjustments, discounts and exemption removals raised because of fraud activities.

4.8.2. Fraudulent Housing Benefit overpayments attract a 40% subsidy, this means that any monies collected over 60% of the overpayment, is additional income for the Council. If 100% of the overpayment is recovered then the Council would retain 140% of the original overpaid.

4.8.3. Fraudulent overpayments are not separately recorded from other recoverable overpayments such as council error. In 2023/24 £192,438.68 of recoverable overpayments were raised and £151,088.81 collected at a collection rate of 79.6%. Ongoing overpayment collection is reported quarterly as a key performance indicator. Of note, these figures exclude overpayments raised and collected during quarter two, due to a DWP exercise which distorted the figures.

4.8.4. Similarly, no separate recovery figure for council tax and NNDR adjustments is available. In year collection rates for all council tax was 95.75% in 2023/24 with 98.60% for NNDR.

4.9. OTHER LOCAL AUTHORITY FRAUD PREVENTION ACTIVITY

4.9.1. The Exchequer Team continue to verify any changes to bank details they receive before amending details on their system. They never use the contact details supplied on the change request notification to verify the change, but will check for another contact on the internet etc.

4.9.2. NAFN issued intelligence alerts relating to criminals targeting various areas of Local Authority business, such as procurement impersonation fraud, corporate impersonation fraud, bank mandate fraud and staff salary mandate fraud, these are passed to the relevant teams to make them aware of impending threats.

4.10 SOCIAL MEDIA & ROSSENDALE BC WEBSITE

4.10.1. The Council's Facebook page and website have been used to highlight scams to our residents.

4.11. JOINT WORKING WITH THE DEPARTMENT FOR WORK AND PENSIONS

4.11.1. The Council currently has six joint working cases with DWP and one closed case which was not suitable to progress to prosecution following interview. All investigations are complex and are therefore time consuming. These cases involve both Fraud Investigators obtaining evidence, conducting a joint interview under caution, then if the case is suitable for prosecution, preparing it jointly for the Crown Prosecution Service [CPS]. The investigation of cases is to a criminal standard therefore it is resource intensive, due to the amount of work required in collating and preparing the evidence, contacting witnesses in respect of witness statements and completing the relevant paperwork required for the CPS.

4.12. FRAUD TRENDS

4.12.1 There are currently a number of linked investigations relating to Council Tax liability fraud. Landlords are using lost ID's and the ID's of European citizens who have returned to their country of origin following changes rules following Brexit, to create fake tenants/tenancy agreements. The landlords are presenting the ID and tenancy agreement to Council Tax, who create a Council Tax liability. The tenants subsequently do not contact the Council nor are any Council Tax payments made. The investigations are on-going at this stage.

4.13. CONCLUSION

4.13.1. This report has been developed to provide performance information in relation to the activities undertaken by officers and to demonstrate the joint working with other agencies on either a mandatory or voluntary commitment basis.

4.13.2. This work has resulted in fraud being identified and repayments to the Council and partners being made.

4.13.3. An element of the work programme is determined by the number of fraud referrals received. There would normally be scope within the workload for other proactive exercises to be undertaken, but due to the number of joint working complex cases and the NFI work no targeted exercises took place. It is anticipated that proactive exercises will be conducted during 2024/25.

4.13.4. Now joint working with the Department for Work and Pensions has resumed, it is anticipated that the offers of joint working from DWP will increase. To date seven of the eight joint working cases have been instigated by the Local Authority. This in turn will move joint working in a different direction to previous years. It is hoped that any successful prosecutions attract publicity, as this acts as a deterrent.

4.13.5. To summarise, as a result of actions by the Council's Fraud and Compliance function during 2023/24 there have been -

- £40,748.25 Council Tax Support adjustments created.
- £43,976.67 Housing Benefits overpayments raised.
- £1,329.10 Single Person Discounts were withdrawn.

5. RISK

5.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

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 public funds. This report, summarises the work of the

Fraud and Compliance function and provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

6. FINANCE

6.1 The financial implications of failing to protect the Council are potentially substantial. The Council's strategy for tackling fraud provides an assurance that public funds are being protected from abuse. Fraud leaves the Council with less to spend on services for residents and costs taxpayers' money.

7. LEGAL

7.1 The work outlined herein supports good governance and demonstrates effective financial stewardship and strong public financial management. It is supported through other policies and procedures to include the Council's Whistleblowing policy.

8. POLICY AND EQUALITIES IMPLICATIONS

8.1 Any policy implications are included in the body of the report. No equality implications.

9. REASON FOR DECISION

9.1 To note the work undertaken in the previous financial year in relation to fraud and compliance activities, including the success that has been achieved in identifying fraud.

No background papers