

Counter Fraud Service update, (Amanda Fahey, Assistant Chief Executive)

Synopsis of report:

This report reviews the existing Counter Fraud Service between Runnymede Borough Council and Reigate & Banstead Borough Council and makes recommendations for future provision.

Recommendation(s):

Members of the Standards and Audit Committee are asked to:

- i) consider the proposal to increase resources to combat fraud, and approve a further 3 year agreement with Reigate and Banstead Borough Council from 1 April 2022 to 31 March 2025 for the provision of a Counter Fraud Service; and**
- ii) recommend to Corporate Management Committee approval of a supplementary estimate of £12,700, to be split 80/20 between the Housing Revenue Account and the General Fund, following consultation with the Chairman of the Housing Committee**

1. Context and background of report

- 1.1 In 2014, the Government transferred responsibility for Housing Benefit Fraud investigation to the Department for Work and Pensions. Recognising however, that the Council's broad range of activities carries an on-going risk of fraud, the Council agreed to fund its own Fraud Investigation resource to combat risk in areas such as housing tenancies, homelessness applications, council tax discounts and right to buy applications.
- 1.2 The investigation and detection of fraud carries a dual benefit both as a deterrent to those who may consider committing fraud and in achieving savings, not only for the Council but to the wider public purse. It also helps to ensure that scarce resources are used by those most in need of services rather than being consumed by those who are not eligible for those services.
- 1.3 In April 2019, the Council entered into an agreement with Reigate and Banstead Borough Council (RBBC) to supplement its internal resource and provide a comprehensive counter fraud service. During 2021, the Council's internal resource left the Authority and the agreement with RBBC was increased to cover this workload. Under the agreement, RBBC would provide 2.5 full time equivalent staff (FTEs) to fulfil its requirements, consisting of 1 FTE Investigation Officer, 1 FTE Intelligence Officer and 0.5 FTE to cover National Fraud Inspectorate (NFI) data matching exercises.
- 1.4 The team at RBBC is led by the Head of Service and the Fraud Manager, supported by 4 Investigation Officers, 7 Intelligence Officers and an Accredited Financial Investigator (based at Portsmouth City Council). The team has reciprocal arrangements with the fraud team at Oxford City Council to provide resilience and share expertise, meaning that any staff absence can

be seamlessly filled without any additional costs to RBC. An agreement is also in place with Trading Standards at Portsmouth City Council to provide expertise for financial investigations and prosecutions under the Proceeds of Crime Act 2002.

- 1.5 The RBBC team provide services to 4 Surrey Councils in addition to on demand support for several housing providers and other local authorities outside of Surrey.

2. Report

Current Service Provision and Performance Data

- 2.1 The RBBC counter fraud team investigate all areas of potential fraud within Runnymede Borough Council (RBC), primarily around Housing and Revenues and Benefits services, and supporting the Council to carry out its duties under the National Fraud Initiative. At present, the level of support being provided is over and above that agreed when the service was last reviewed during 2021, due to the demand from RBC services for investigative support. Costs for the service have been maintained at the previous level while a review of resource requirements has been undertaken but this now needs to be regularised and either return to the level of resources previously approved or increase the contract to encompass the additional resources being utilised.
- 2.2 The current support being provided is 2 FTE Intelligence Officers, 0.5 FTE Investigation Officer and 0.5 FTE Intelligence Officer covering NFI work.
- 2.3 All proactive referrals from RBC staff are set up by RBBC on the OPUS case management system. Referrals are made by emailing directly to an inbox which is monitored by 2 RBBC Intelligence Officers. Further checks are carried out and evidence recorded against the case.
- 2.4 To ensure that preliminary findings are relayed in a timely manner to RBC officers, timeframes have been agreed for housing referrals:
 - Pending nominations: 48 hours
 - New applications: 5 working days
 - Homeless and Prevention: 5 working days
 - Right to Buy: 10 working days
- 2.5 Reactive referrals are made from within RBC or by third parties, via the website, email or phone line. Again, these are then set up on the OPUS case management system. These referrals may include:
 - Living Together allegations
 - Undisclosed earnings/capital allegations
 - Subletting allegations
- 2.6 The National Fraud Initiative matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data on a regular basis and RBBC monitors any matches arising from this data, sending letters, chasing responses and escalating to an investigator where appropriate.

2.7 RBBC also provides fraud awareness training to staff in relevant service areas.

2.8 RBBC applies Cabinet Office savings figures to various types of successful intervention or investigations. These values, as set out under Cabinet Office NFI Outcomes Methodologies, are set out below:

- Tenancy Recovered (e.g., sub-letting) - £93,000
- Housing/Homeless application withdrawn - £3,240
- Right to Buy withdrawn/terminated – value of individual amount of discount offered by Housing Provider, max discount £77,900
- Council Tax Discount – annual discount x 2 years
- Council Tax Support – either the weekly difference x 21 weeks or the amount of excess
- Business Rates – actual figures per case
- Housing Benefit – value of overpayment identified

2.9 Reported savings for RBC since 2019:

Year	Total Savings reported £	% of cases referred for investigation
2019/20	£154,650	n/a
2020/21	£533,040	9.65%
2021/22	£170,527	10.5%

2.10 Statistics for the first half of 2022/23 are set out at Appendix A. Of the 289 cases investigated, 21 resulted in a positive outcome with projected savings of £60,090.57.

2.11 During the third quarter, the team have successfully investigated a fraudulent sub-letting of a Council property, resulting in the dwelling being relet to an eligible tenant.

2.12 The RBBC team have been twice recognised by the IRRV (The Institute of Revenues Rating and Valuation), as winners of the category for “Excellence in Counter Fraud”, both in 2022 and 2019, and for “Excellence in Partnership Working” in 2021.

3. Options considered

3.1 The annualised costs of the contract with RBBC after the last review in 2021 are set out below:

Role	Annual cost per FTE	FTE required	Total cost (£)
Investigations Officer	£43,407	1.0	£43,407
Intelligence Officer	£34,629	1.0	£34,629
Intelligence Officer (NFI)	£35,568	0.5	£17,784
			£95,820

3.2 These charges exclude any additional costs of working with the specialist financial investigator at Portsmouth City Council which would have been charged separately.

- 3.3 Since the agreement began in 2019, there will have been pressure on RBBC's costs of delivering this service due to pay inflation and rising ICT costs. Option 1 below sets out the proposed annual costs of the service using the same level of FTEs as above, updated for changes in pay rates, and including a share of ICT costs and specialist services. Roles within the team have been reassessed and graded appropriately, with some work now being carried out by the Intelligence Officers that would previously have been held at Investigation Officer level. The mix of FTEs has been adjusted to reflect this.

Option 1:

Role	Annual cost per FTE	FTE required	Total cost
Investigations Officer	£58,202	0.5	£29,101
Intelligence Officer	£38,248	1.5	£57,371
Intelligence Officer (NFI)	£38,248	0.5	£19,124
Third party recharges & licences			£5,870
Portsmouth City Council – financial investigations			£2,500
			£113,966

- 3.4 Returning to this level of resource would effectively see a reduction in resources and would have an impact on the level of savings generated from referrals. RBBC would have to limit the number of cases it could deal with or introduce criteria for the acceptance of referrals.
- 3.5 During the first half of 2022/23 RBBC have been absorbing the cost of additional resources that were introduced to meet the demand from referrals by RBC. However, if the Council wishes to continue at this level of investigation, then the annualised costs would be as set out in the next table.

Option 2:

Role	Annual cost per FTE	FTE required	Total cost
Investigations Officer	£58,202	0.5	£29,101
Intelligence Officer	£38,248	2.0	£76,495
Intelligence Officer (NFI)	£38,248	0.5	£19,124
Third party recharges & licences			£6,870
Portsmouth City Council – financial investigations			£2,500
			£134,090

- 3.6 Maintaining this level of resource would allow RBBC to work on proactive cases outside of housing such as Housing Benefit/Council Tax Support and dedicate more time to reactive referrals from within RBC services or local residents.
- 3.7 As RBBC have committed to keeping costs for the first half of the year in line with previous resource levels, the actual cost for 2022/23 under this option would be:

April – September 2022	£48,000
October to March 2023	£62,360
October to March 2023 recharges	£4,685
Total cost for 2022/23	£115,045

3.8 As the bulk of fraud referrals are within the Housing Service, the costs are currently split 80/20 between the Housing Revenue Account and the General Fund. Therefore, the additional £19,045 cost of this option, above the current budget of £96,000 would be split £15,236 to the HRA and £3,809 to the General Fund. Virements from other budget headings have been approved under financial regulations to meet the additional costs for October and November in both areas, and this report seeks the remaining balance for 2022/23 via supplementary estimate.

		HRA	GF
	115,045		
	96,000		
Additional costs 2022/23	19,045		
Met from virements:	6,348	5,079	1,270
To be met via supplementary estimate	12,697	10,157	2,539
	19,045	15,236	3,809

3.9 The agreement would run for 3 years, commencing April 2022 with a 2% uplift in salaries applies at April 2023 and 2024. The full cost of the service in 2023/24 would be £136,585 and for 2024/25 £139,128.

Option 3

3.10 Option 3 would be to reduce resources below the previous level, in any combination of FTEs and with a consequential reduction in third party costs. Whilst this would reduce the cost of the service it would come with risk that the reduced resource would be unable to deal with all referrals and would limit opportunities to undertake proactive work, leading to a likely reduction in savings.

3.11 Given the successful partnership to date, the level of fraud detected, and the consequential savings to the public sector, option 2 is recommended by officers.

3.12 In addition to the provision of on-going counter fraud services as described previously, the RBBC team have agreed with the Housing Service to undertake sample testing of tenancy details, to provide evidence as to whether a full Tenancy Review would be of merit. If, following the results of the sampling, it is felt that a Tenancy Review exercise would produce positive results, then RBC could choose to invest in a full review of all RBC housing stock properties, to check for sub-letting, abandonment etc. This would involve further costs, including the support of a third-party supplier. The estimated costs of this exercise are below:

Element	Approx. cost
Third Party Data Matching Tool	£3,225

Credit Searches at 55p for 2,500 properties	£1,375
RBBC Intelligence Officers – 72 hours	£1,509.84
Total estimated cost	£6,109.84

3.13 Once the results from the sampling are known, the Housing Service will consider whether or not to proceed and make any necessary arrangements for funding.

4. Policy framework implications

4.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. The prevention and detection of fraud is implicit in carrying out these duties.

4.2 The Council has an Anti-Fraud and Corruption Policy which is available on its website, and which will be reviewed and updated during 2022/23. This forms part of a suite of governance documents that underpin the Council's Corporate Code of Governance.

5. Resource implications/Value for Money

5.1 Increasing the resources invested in the prevention and detection of fraud avoids scarce resource being utilised by those not eligible for the services provided. In addition, significant costs are avoided through both prevention and detection and others are deterred from committing fraud when the Council is seen to take action against fraudsters.

5.2 The Council has benefitted from additional resources in the first half of 2022/23, the cost of which has been absorbed by RBBC. It is recommended that this level of resource is continued, with part of those costs for the current year being covered by virements from other budgets and part requiring a supplementary estimate of £12,700 split in proportion to workloads between the HRA and the General Fund.

5.3 The partnership with RBBC has produced estimated savings of over £60,000 in the first half of 2022/23 and savings of between £154,000 and £533,000 in prior years. While these are not cashable savings, they are costs avoided by detecting and stopping fraudulent activity.

6. Legal Implications

6.1 Investigations are carried out in compliance with all relevant legislation such as the Fraud Act 2006, Criminal Procedures and Investigations 1996, Police and Criminal Evidence Act (PACE) 1984, Local Government Finance Act 1972, Proceeds of Crime Act (POCA) 2002 and Regulation of Investigatory Powers Act (RIPA) 2000.

6.2 Investigations may involve the handling of sensitive personal data, and due regard is had to the General Data Protection Regulations when carrying out fraud prevention and detection.

6.3 If this proposal is approved, the Council will enter into a legal agreement with Reigate and Banstead Borough Council for the delivery of these services.

The terms of that legal agreement will replicate those contained in the previous agreement the Council entered into.

7. Equality Implications

- 7.1 The Council undertakes Equality Impact Assessments for all new policies and part of the work of the Counter Fraud service is to ensure that only those eligible for services are able to access them.

8. Environmental, Sustainability, Bio-diversity implications

- 8.1 There are no environmental, sustainability or bio-diversity implications from this report.

9. Conclusions

- 9.1 The Council's partnership with RBBC's Counter Fraud Service has been successful in detecting and preventing fraud, recovering costs where appropriate and avoiding further fraudulent costs, alongside acting as a deterrent.
- 9.10 It is recommended by officers that Members approve an additional 0.5FTE resource as set out in Option 2, enter into a continued arrangement with RBBC for the 3 years 2022/23 – 2024/25 and seek a Supplementary Estimate from Corporate Management Committee in the sum of £12,700, following consultation with the Chair of the Housing Committee.

(To resolve)

Background papers

None