

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

Synopsis of report:

This report provides an update on Counter Fraud activity undertaken during 2022/2023 and sets out recommendations for further development of the Council's work in combating fraud and corruption.

Recommendations:

Members of the Standards and Audit Committee are asked to:

- i) note the Counter Fraud activity undertaken during 2022/23; and
- ii) approve the action plan set out at Appendix 'A' to enhance the Council's work in combating fraud and corruption.

1. Context and background of report

- 1.1 In November 2022, this Committee considered and approved a proposal to increase resources to combat fraud through its arrangement with Reigate and Banstead Borough Council (RBBC).
- 1.2 This report provides Members with an overview of the work undertaken during the year and the results in terms of financial benefit. It is important for Members, staff and the public to be aware of the value of such activity within the Council, both to promote its use and to raise awareness of the risk of fraud, but also to make potential fraudsters aware that the Council takes fraud seriously and will take appropriate action where necessary.

2. Current Service Provision and Performance Data

- 2.1 The RBBC Counter Fraud Team investigates all areas of potential fraud within Runnymede Borough Council (RBC), primarily around Housing, and Revenues and Benefits services, and supports the Council to perform its duties under the National Fraud Initiative.
- 2.2 The current support being provided to the Council is 3 full time equivalent staff (FTE) consisting of 2 FTE Intelligence Officers, 0.5 FTE Investigation Officer and 0.5 FTE Intelligence Officer covering National Fraud Initiative work. In addition, the agreement includes arrangements with Trading Standards at Portsmouth City Council to provide expertise for financial investigations and prosecutions under the Proceeds of Crime Act 2002. The annualised cost for the service in 2022/23 was £134,090 as set out below.

Counter Fraud service provision 2022/23	Cost (£s)
Investigations Officer/Intelligence Officers (3FTEs)	£124,720
Third party recharges & licences	£6,870
Portsmouth City Council – financial investigations	£2,500
Total Cost	£134,090

- 2.3 In the first half of 2022/23, RBBC held their costs at the previous level of resource, resulting in an actual cost for 2022/23 of £115,045. Costs for 2023/24 and 2024/25 will increase in line with the annualised sum plus an agreed inflationary increase of 2% to be applied from April each year.
- 2.4 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.
- 2.5 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
- 2.6 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
- 2.7 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.
- 2.8 RBBC also provides fraud awareness training to staff in relevant service areas. During 2022/23, the lead officer for Runnymede developed a more cohesive approach to fraud awareness by participating directly in team meetings within relevant services, getting underneath the day-to-day activity of the teams, using their expertise to identify where a risk of fraud may occur, and embedding that recognition and thinking into the teams. This has been well received by services across the Council and both raises awareness of potential fraud and the work that the Council is doing to combat it, but also fosters the partnership working between the service provider and the Council. This engagement is essential to the success of the partnership.
- 2.9 Regular overview meetings were held throughout the year between the RBBC team, the Assistant Chief Executive for RBC (s151) and the Deputy Corporate Head of Law and Governance for RBC, to monitor performance, discuss ideas for new areas of work and report progress on key cases, for example.
- 2.10 The RBBC team were recognised in 2022 by the IRRV (The Institute of revenues Rating and Valuation) as winners of the category for “Excellence in Counter Fraud”.

- 2.11 The Counter Fraud Team maintain quarterly statistics which are reported to the Assistant Chief Executive (s151). The statistics record the number of cases investigated and closed, the numbers and percentages of those cases where fraud is identified (labelled “positive outcomes”) the level of savings achieved, and the number of referrals achieved in the quarter. The statistics are shown for each area of investigation (Homeless and Homeless Prevention, Social Housing, Right to Buy, Housing Benefit, Council Tax Support and Single Person Discount) followed by a total for all areas. The figures for 2022/23 are appended to this report at Appendix B.
- 2.12 The figures show 531 cases investigated, with 47 (8.85%) showing a positive outcome for fraud, resulting in total savings of £196,001.69, split between calculated notional savings to the public purse of £180,680 and cashable savings of £15,321.69 directly attributable to individual benefits, support or discounts being removed or recovered.
- 2.13 RBBC applies Cabinet Office savings figures to the various types of successful intervention or investigations in order to calculate the total savings achieved through counter fraud activity. These values, as set out under Cabinet Office NFI Outcomes Methodologies, are shown 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
- 2.14 Reported savings for RBC since 2019 are as follows:

Year	Total Savings reported £s	% of cases investigated that recorded a positive outcome for fraud
2022/23	£196,002	8.85%
2021/22	£170,527	10.5%
2020/21*	£533,040	9.65%
2019/20	£154,650	n/a

* 2020/21 includes 4 successful Social Housing referrals resulting in tenancies being recovered, calculated under Cabinet Office methodology at £93,000 saving per case

- 2.15 These figures do not include any measure of the value of counter fraud activity as a deterrent, preventing fraud from happening in the first place, and thus avoiding additional costs to the Council.
- 2.16 While financial savings are one way to measure the performance of counter fraud activity, the statistics can also be used to inform of areas where the incidence of fraud is rising or decreasing and to consider the drivers which may lay behind this. For example, where fraudulent outcomes are rising, this could be due to the effect of increasing financial pressures within the wider economy or could signify a need to introduce tighter controls within the Council’s systems. A balance needs to be maintained to ensure an

appropriate level of control is in place without making systems overly bureaucratic and difficult for residents and service users to navigate.

- 2.17 Counter fraud activity also helps to ensure that limited Council resources are used by those genuinely in need of them.
- 2.18 A notable success during the year has been an intervention resulting in someone being prevented from being nominated from the Housing Register to a tenancy in RBC. The proactive approach in this case has meant that while the notional savings are relatively low at £3,240, a valuable outcome was achieved in that the tenancy ended up going to a person/family genuinely in need. The case was investigated as part of the proactive fraud checks that are completed by the RBBC team. The applicant was pending an offer for social housing and had been referred to the team for enhanced verification checks, as part of standard procedures to prevent and detect fraud.
- 2.19 The applicant failed to disclose information on their application form – namely that they owned a property in which they could reasonably live. A decision was made that the applicant had committed fraud by failing to disclose information as outlined in Section 3 of the Fraud Act 2006, as well as knowingly or recklessly withholding information under Section 171 of the Housing Act 1996.
- 2.20 As no financial gain had been made, a decision was made not to take any criminal action, however, the applicant was banned from re-joining the Housing Register for a significant period of time and the tenancy was released to go to an eligible recipient.
- 2.21 As reported in November 2022, the Housing Service undertook to provide some samples for testing of tenancy details, to provide evidence as to whether a full Tenancy Review would be of merit. Tenancy Fraud may take a number of forms and while sometimes is committed purely for profit, more commonly occurs when friends and family help each other out by by-passing proper processes or providing false or misleading information. This may result in the following forms of tenancy fraud:
- Unlawful Subletting - a tenant rents out part or all their home without permission of the landlord
 - Wrongful succession of assignment – the original tenant dies or leaves the property, and someone takes over the tenancy without following the proper process
 - Misrepresentation of Right to Buy schemes where false information is provided to take advantage of the scheme
 - Procurement by deception – a tenant gives false information on their application
 - Key selling – the tenant is paid to pass on their keys for a substantial, usually one-off, payment
- 2.22 Depending on the results of the sampling, the Service could then choose to invest in a full review of all RBC housing stock rather than looking at this on a referral basis only.
- 2.23 Due to work pressures in the Service, only a small number of tenancies were selected for this exploratory exercise. Of the 11 tenancies reviewed, no

incidence of fraud was detected. However, given the sample size, it is difficult to gauge whether this would be representative of the whole.

- 2.24 If it were decided to proceed with a review of all tenancies, this would take the form of a two-stage process:

Stage 1 would be undertaken using specialist software to identify the potential risk of fraud within each of the addresses held by RBC. Data supplied by Runnymede Housing team would be checked against credit reference data to establish financial links of the tenant and their household to an address. This will flag if the tenant has alternative linked addresses and if unknown families/individuals are linked to a property.

From this process the Counter Fraud Team would supply an excel spreadsheet detailing the potential risk of each address, categorised red, amber or green for high, medium or low risk of fraud.

The approach to Stage 2 of the review would be developed with the Housing Team, to determine which tenancies to examine further and whether to do this within the Housing Service or through the Counter Fraud Team.

The estimated costs of completing Stage 1 of the process would be approximately £5,000 due to the use of a third-party data matching tool and the cost of credit searches. Any costs for the RBBC Counter Fraud Team for Stage 2 would be absorbed under the existing contract.

3. Forward Plan

- 3.1 While the counter fraud work undertaken at the Council is producing excellent results, a number of areas have been identified where potential improvements could be made.
- 3.2 Currently, the majority of referrals to the Counter Fraud Team are generated internally, with very few referrals coming from the public or from service users. There are a number of ways that the Council could promote its anti-fraud work to both increase the number of public referrals it receives and increase awareness that the Council takes fraud seriously, thereby acting as a deterrent to those who may consider committing fraud, or who are unaware of what may constitute fraud.
- 3.3 Plans to address this include ensuring that the Council's website clearly signposts members of the public to the fraud reporting line and email address; promoting counter fraud work via social media; raising fraud awareness with the public and staff via poster campaigns; and encouraging our tenants to raise concerns where they may suspect fraud.
- 3.4 In addition, the Housing Service will consider whether to proceed with a full Tenancy Review, subject to workloads and the necessary funding arrangements.
- 3.5 Another suggested area for exploration is to review the processes undertaken at the start of a Homelessness application to see whether it would be beneficial to bring the Counter Fraud Team into the process at an earlier stage, to assist in the data verification process before a homelessness duty is accepted by the Council.

- 3.6 The action plan set out at Appendix 'A' provides details of the recommendations for the year ahead to enhance the work of this important governance area which in turn supports the Standards and Audit Committee with its role in reviewing the effectiveness of internal controls across the Council.

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. This forms part of a suite of governance documents that underpin the Council's Code of Corporate Governance.

5. Resource implications/Value for Money

- 5.1 The majority of actions contained within the report can be delivered within existing resources. If the Housing Service choose to use the services of the Counter Fraud Team to conduct Stage 1 of a Tenancy Review, funding will need to be found either from existing resources or through the necessary approvals via the Housing Committee.
- 5.2 The latest performance figures for counter fraud work, using calculations set by the Cabinet Office to determine the financial benefit of detecting fraud, combined with measurable savings in respect of the cessation of ineligible benefits and discounts, demonstrates £196,002 of savings to the public purse for the past year, as well as providing a deterrent to potential fraudsters and ensuring resources are used by those genuinely eligible for Council support. This figure is in excess of the cost of the service.
- 5.3 The costs of the service are split 80:20 between the Council's Housing Revenue Account and General Fund.

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.

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 arising from this report.

9. Conclusions

- 9.1 This has been a successful first year of a three-year agreement with Reigate and Banstead's Counter Fraud Team. The partnership has been effective in detecting and preventing fraud, recovering costs where appropriate and avoiding further fraudulent costs, alongside acting as a deterrent to those that may consider committing fraud. This success is attributable to both the Counter Fraud Team and the staff at Runnymede who work with them.
- 9.2 Together, Runnymede staff and the Counter Fraud Team have identified areas for improvement that have been incorporated into the proposed action plan set out Appendix 'A', which is recommended to Members for approval.

(To Resolve)

Background Papers

None stated.