

<b>Subject:</b>	Annual Fraud Report 2016/17	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	26 <sup>th</sup> September 2017
<b>Report of:</b>	Fraud & Compliance Officer	<b>Portfolio Holder:</b>	Resources and Customer
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	No	Attached: N/A
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: N/A
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<b>1.</b>	<b>RECOMMENDATION(S)</b>
1.1	The Audit and Accounts Committee is asked to note the report

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to:

- Provide details of the Council's Fraud & Compliance performance during the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.
- Provide details of the outcomes of action that was taken over this period.
- Outline the plans for 2017/18.

## 3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **A clean and green Rossendale:** our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.
- **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.
- **A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

## 4. RISK ASSESSMENT IMPLICATIONS

4.1.1 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 and our approach is set out in our Anti-Fraud & Corruption Strategy.

4.1.2 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

### **Responsibilities and Approach to dealing with Fraud.**

5.1.1 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. This obligation includes a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Housing & Council Tax Support and Council Tax.

- 5.1.2 Preliminary statistics from the Department for Work and Pensions (DWP) estimate that during the period from April 2016 – March 2017, the rate of fraud overpayments across the country increased from 1.9% to 2.0%.
- 5.1.3 The estimated value of overpayments is £3.5 billion (a rise from the 2015/16 estimated value of £3.3 billion).
- 5.1.4 Housing Benefit overpayments are the highest recorded across other benefits such as Employment and Support Allowance, Pension Credit, Job Seekers Allowance and Universal Credit  
(Source: *Fraud and error in the benefit system: financial year 2016/17 preliminary estimates*)
- 5.1.5 In last year's Annual Fraud Report it was estimated that the Council Tax Support scheme would cost the Council around £700,000.00. The exact figure has been confirmed as £706,395.00. The Council no longer receives funding for its Council Tax Support scheme, which therefore highlights how important fighting fraud is to the council and other preceptors.
- 5.1.6 The Council has a responsibility to work with partner organisations, such as the police force. Data Protection requests are received on a regular basis from local police force, within this period around 70 requests were dealt with by the Fraud and Compliance Officer, varying from, but not exclusive to owner/occupier details of properties and forwarding addresses. Dealing with these requests make up part of the role's statutory duties.
- 5.2 **Internal control arrangements**
- 5.2.1 **Fraud Awareness Training**  
A fraud questionnaire was rolled out to all Council employees during 2016/17. The aim of the survey was to gauge the levels of fraud awareness throughout the organisation and establish whether wider fraud awareness training would be effective and beneficial.
- 5.2.2 The results of the questionnaire were generally pleasing. Following on from the questionnaire an online training course was purchased.
- 5.2.3 It is anticipated that the fraud awareness training will be included in the induction for new starters, and will be completed by members of staff either individually (i.e. office based staff) or in groups (i.e. operations staff)
- 5.2.4 This should help develop and reaffirm the knowledge that fraud is not tolerated.
- 5.2.5 **The National Fraud Initiative**  
The Council proactively takes part in the National Fraud Initiative (NFI) which is a sophisticated data matching exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. The exercise is undertaken every two years and historically has been successful in identifying fraud and error across the UK. Some of the reports created include but are not exclusive to Housing Benefit claimants to payroll, where payroll data is matched to claims for Housing Benefit, and Council Tax Support to pensions, where again, pension data is matched to Council Tax Support claims.
- 5.2.6 **Policies**  
**The Anti-Fraud and Corruption Strategy** sets out the Councils methodology in relation to fighting fraud and corruption. This strategy is currently undergoing a review.

5.2.7 **The Whistleblowing Policy** has undergone a review, which was passed by Cabinet in February of 2017. This is intended to be used to support the disclosure of concerns and/or suspicions.

5.2.8 **The Council Tax and Council Tax Support Penalty and Prosecution Policy** was passed in 2016 and continues to be used in the fight against fraud.

### 5.3 **Investigating Fraud**

5.3.1 Rossendale Borough Council's fraud presence consists of one permanent full time officer. The Fraud and Compliance Officer is responsible for investigating all allegations of fraud and minimising the amount of error in the system, be that benefits or council tax related.

5.3.2 This role was previously created on a two year fixed term basis, but has since been made permanent. The rationale behind this decision is that the work carried out is extremely important; tackling fraud and error is a high priority within the Council. Also the positive results from year one give reasonable expectation that the position can be self-funding and therefore not a burden on Council budgets.

### 5.3.3 **Regulation of Investigatory Powers Act 2000 (RIPA)**

5.3.4 This Act regulates the use of investigatory powers exercised by Local Authorities amongst others and ensures that they are used in accordance with Human Rights legislation. The Council is required to authorise certain investigations (covert/directed surveillance) by an appropriate officer together with judicial approval. Since 2013 the Council has not taken action which necessitates the use of RIPA and no authorisations have been granted. The policy is due to be reviewed in October 2017 to confirm that the policy continues to be fit for purpose and refresher training will be given thereafter to all members of staff and Members.

### 5.4 **Performance**

5.4.1 During the 2016/17 financial year, 94 cases were investigated by the Fraud and Compliance Officer; this does not include the cases dealt with by the Single Fraud Investigation Service (SFIS). Below is a table detailing the cases:

5.4.2

<b>Type of case</b>	<b>No. of cases</b>
Council Tax (i.e. a discount or exemption)	11
Council Tax Support	29
Housing Benefit only	54

5.4.3 The table below details the amount of debt written onto the system for each of these areas, of which repayment and recovery will take place:

5.4.4

<b>Type of case</b>	<b>Debt written on</b>
Council Tax (i.e. a discount or exemption)	£11,673.05
Council Tax Support	£21,103.58
Housing Benefit only	£38,900.57
<b>Total</b>	<b>£71,677.20</b>

### 5.5 **The use of The Council Tax and Council Tax Support Penalty and Prosecution Policy**

5.5.1 The Council Tax and Council Tax Support Penalty and Prosecution Policy was written and passed at Cabinet in March 2016. This gives the Council more power to take action against fraudulent claims, be that for Council Tax Support or Council Tax in general i.e. discounts and exemptions.

- 5.5.2 In its first year, the policy was used to issue 35 claimants civil penalties. 17 claimants were issued a Housing Benefit penalty of £50.00, 4 claimants were issued a Council Tax Support penalty of £70.00, and 14 claimants were issued both.
- 5.5.3 Initially the penalties are payable in full, but if a claimant makes contact a payment arrangement can be agreed upon. This therefore means that some penalties will be outstanding for some time whilst payments are made.
- 5.5.4 The total value of the civil penalties issued is £2810.00.
- 5.5.5 As of 14/06/2017 the total amount repaid is £1430.00 representing a 51% recovery rate thus far.
- 5.5.6 Rights of appeal are given on the letter that is sent with the invoice. Only one of the 35 claimants lodged an appeal, which was a successful appeal with the penalty being withdrawn.
- 5.5.7 One financial penalty was issued following a Council Tax Support investigation. The amount of the penalty was £1000.00. This has since been repaid in full.
- 5.6 **The National Fraud Initiative**
- 5.6.1 The latest exercise (NFI 2016) was launched in early 2016 and the Council complied with the requirement to submit a number of datasets to the Cabinet Office by the prescribed dates, with the first matches being released for investigation in January 2017, with further releases occurring during the year.
- 5.6.2 A total of 747 potential Housing Benefit/Council Tax Support matches have been reported to the Council for review and possible investigation, 48 of which met the NFI recommended filter criteria (i.e. highest fraud indicator).
- 5.6.3 Individual data match reports, cover a number of areas including payroll, housing, benefits, council tax reduction, pensions, student loans, local authority licenses and insurance.
- 5.6.4 By the end of March 2017 a small proportion of the matches had been opened, reviewed and completed. From the small number of matches one fraud and one error were identified totalling £29,270.10 of which £28,082.51 is being recovered.
- 5.6.5 The small amount which is not being recovered is in relation to a match where the claimant had passed away, therefore there was an 'overpayment' of Council Tax Support but this was offset when the relevant exemption was put on to the account.
- 5.6.6 To put the NFI into perspective from Rossendale's point of view, the last exercise which commenced in 2014 returned 1511 matches of which 24 were recorded as either fraud or error, with an outcome of £150,933.53. This figure covers overpayment of Housing Benefit, Council Tax Benefit, Council Tax Support, Job Seekers Allowance, Income Support and Employment and Support Allowance.
- 5.7 **Housing Benefit**
- 5.7.1 This year 39 cases were referred to the Single Fraud Investigation Service (SFIS) for investigation. This represents a decrease from 121 last year.
- 5.7.2 The main reason for the decrease is the fact the National Fraud Initiative exercise had all but been completed by the start of the year. A high number of last year's referrals were

generated from the data received through the National Fraud Initiative.

- 5.7.3 Since the transfer of Housing Benefit fraud to the DwP, the exchange or gathering of documentation and correspondence between Rossendale Borough Council and the DwP is done via Local Authority Information Exchange Forms (LAIEFs), a blank copy can be found at appendix a.
- 5.7.4 Dealing with these LAIEFs form part of the officer's statutory duties. Whilst the Department for Work and Pensions investigate Housing Benefit Fraud it is still the Local Authority who hold all documentation, system information, etc., therefore dealing with these forms, promptly and accurately is vital to a successful investigation.
- 5.7.5 In total 124 Local Authority Information Exchange Forms (LAIEFs) were dealt with this year.
- 5.7.6 A LAIEF can be as simple as informing the DwP of a weekly entitlement of Housing Benefit, but they can also be quite in depth i.e. requesting historical claim forms, payment information, breakdowns of changes reported to the authority, requesting suspension of claims, requesting reassessments and potential overpayment amounts through manual calculations etc.
- 5.7.7 The Fraud and Compliance Officer is also responsible for the Housing Benefit Matching Service referrals. In 2016/17 Rossendale Borough Council received 202 HBMS referrals all of which have been completed.

## 5.8 **Business Rates**

- 5.8.1 Following a successful first twelve months the Analyse Local package was extended for a further three years.
- 5.8.2 During this year 49 accounts have received an increased rateable value directly as a result of Analyse Local. All of these are in relation to changes; there haven't been any new assessments which the Council was unaware of, which is pleasing.
- 5.8.3 The rateable value increase achieved across the 49 accounts is 510,365.
- 5.8.4 Using the smaller multiplier, which is conservative, the monetary value of the increased rateable value is £247,016.66 of which Rossendale Borough Council receive 40%, therefore the amount received in respect of the work done through Analyse Local is approx. £100,000.00.
- 5.8.5 It should be noted that it was anticipated that in the near future, 100% of business rates would be retained by Local Authorities. During the Queen's speech in June 2017, the Local Government Finance Bill was dropped from the legislative programme leaving the plans for business rates retention in limbo.

## 5.9 **Moving into 2017/2018**

- 5.9.1 The Fraud and Error Reduction Incentive Scheme has been replaced with the Right Benefit Initiative, this new initiative consists of councils receiving up to date earnings and pension details for claimants to use in their respective claims.
- 5.9.2 The information comes direct from HMRC therefore it is reliable and up to date, this will help fight fraud as there will be cases where claimants fail to declare changes such as a new job, or even an extra job, but this initiative should help us keep claims up to date.

- 5.9.3 The Wider Use Real Time Information (WURTI) work will also help fight fraud, this works in a similar way but rather than information being sent to the authority, the benefit assessors will be able to access earnings records themselves, again as this is through HMRC, the data will be accurate and up to date and help with the accuracy of calculating claims.
- 5.9.4 The National Fraud Initiative will be well underway and with over 700 matches to be reviewed there is potential for a number of investigations as a result of this work, as well as a good number of referrals to Single Fraud Investigation Service (SFIS).
- 5.9.5 In next year's report, where applicable, futures savings will be reported in respect of Council Tax Support claims.
- 5.9.6 Across Lancashire the agreed method for working out future savings is to multiply the last week's entitlement before the claim was amended or cancelled, by 52 weeks. This will be advantageous as it will show how much the Council has managed to avoid paying out unnecessarily and therefore saved by doing so.
- 5.9.7 Whilst finding and fighting fraud is the main objective there is an on-going need to ensure that the benefits and Council Tax systems are error free. On-going work will continue to help us achieve a system where error is at a minimum.

5.10 **Risk Management Issues**

5.10.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
No action taken if fraud suspected or detected	High	Low	Positive action taken to detect and pursue fraud; and results of successful cases publicised to further deter would be fraudsters.
Out of date policies	High	Medium	The Anti-Fraud and Corruption Strategy is currently being reviewed whilst The Whistleblowing Policy was reviewed last year.
Lack of awareness of the impact of fraud	High	Low	Induction for new starters will soon include the E-Fraud Awareness training, likewise the E-Fraud course will be completed by all members of staff, with the new Council website will come a revamp of the fraud pages in terms of their content.
Reputational risk to the Council	High	Low	The Fraud and Compliance post has been made permanent to ensure that Fraud and Error is tackled therefore minimising the risk of this area being known as high risk area for fraud. The work carried out shows the Council is committed to fighting fraud.

## COMMENTS FROM STATUTORY OFFICERS:

### 6. SECTION 151 OFFICER

6.1 Financial matters are noted within the report.

### 7. MONITORING OFFICER

7.1 All legal implications are covered within the body of the report. It is important that Council maintains robust policies and procedures that are reviewed regularly particularly in light of any new legislation.

### 8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 Policy implications are covered within the body of the report.

### 9. CONCLUSION

9.1.1 This report seeks to demonstrate that the Council continues to have a robust counter-fraud culture and effective counter-fraud arrangements in place. Fraud risks are managed effectively therefore preventing harm to the local community. It should, however, be noted that although the Council will make vigorous efforts to protect itself; fraud is recognised as a growing area of concern and the Council is not immune to these increased levels of risks. Therefore a vigilant approach is required at all times.

9.1.2 To assist in creating an anti-fraud culture, and also maximise deterrence of fraud the Council will:

- Ensure it has the right resources, policies and procedures in place to support counter fraud work and that these are widely published, promoted and enforced.
- Continue to participate in the Department for Work and Pensions (DWP) Housing Benefit Matching Service
- Undertake reactive investigations where fraud is reported and ensure that the maximum possible is recovered for the Council.
- Participate in the National Fraud Initiative (NFI).
- Act with honesty, professionalism and integrity when dealing with all the Council's Members and Officers and with all claimants, whether fraudulent or not.
- Keep a thorough record all fraud referrals received.
- Undertake all and any investigation(s) with due consideration to relevant legislation, with particular regard to the Human Rights Act 1998, the Data Protection Act 1998, Freedom of Information Act 2004 and in particular race equality issues.
- Maintain an overview of the changing fraud landscape to ensure that the Council continues to maintain effective but proportionate response to fraud risk.

9.1.3 In relation to Business Rates, the main aim is to ensure that the ratings list is accurate to ensure the Council can maximise its revenues and also in preparation ready for any potential changes to business rates in the future, such as the 100% retention scheme if The Local Government Finance Bill is resurrected.

Background Papers	
Document	Place of Inspection
Preliminary estimates of fraud and error levels in the benefit system in Great Britain in the financial year 2016/17.	<a href="https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201617-preliminary-estimates">https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201617-preliminary-estimates</a>
The Council Tax & Council Tax Support Penalty & Prosecution Policy	<a href="http://www.rossendale.gov.uk/meetings/meeting/959/cabinet">http://www.rossendale.gov.uk/meetings/meeting/959/cabinet</a>

