

Open

Corporate Fraud Overview 2023/24

Purpose of Report

To highlight the on-going progress and outcomes for the Corporate Fraud Team (CFT) for the 2023/2024 financial year.

To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance that action has been taken where necessary.

A strong and effective counter fraud function is a key element of good corporate governance and evidence of the ongoing activity provides the Committee with a source of assurance which in turn assists them when considering the Authority's governance arrangements (as stated within the Audit Committee's Terms of Reference).

1.0 Recommendations

- 1.1 That, in accordance with the Committee's Terms of Reference, the report be noted.

2.0 Background and Introduction

- 2.1 The most recent Annual Fraud Indicator is that produced by the Centre of Counter Fraud Studies at the University of Portsmouth; *Annual Fraud Indicator 2017 – Identifying the Cost of Fraud to The UK Economy*.

According to this, fraud is estimated to cost the UK economy a total of £190 billion per annum. More specifically, it suggests the cost of fraud to Local Government is £7.8 billion per year.

Other reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector suggest that fraud risk across local government in England exceeds £2. billion each year with some more recent reports indicating levels considerably above this.

Clearly, the risk of fraud is significant so taking steps to prevent and detect it are key to minimising loss and ensuring that public funds are spent in the way that taxpayers would expect. As stated by the National Audit Office in 2016:

“With ongoing pressure to cut costs, reducing loss of public funds through fraud is an opportunity to make potentially significant savings”

Stoke-on-Trent City Council (the council) is responsible for the administration of substantial amounts of public funds, so like all local authorities, is likely to be a target for fraudsters. Therefore, at a time when local government finances are hard pressed it is vital to maintain robust policies and procedures to safeguard the council's integrity against potential fraud and to seize every opportunity to tackle fraudulent activity directed against the council.

3.0 Report Details

3.1

	01/04/23 to 31/03/24			01/04/22 to 31/03/23		
Fraud Type	Value (£)	No. of Cases	Average Value Per Case (£)	Value (£)	No. of Cases	Average Value Per Case (£)
Housing Tenancy Fraud	2,790,000	33	93,000	1,860,000	20	93,000
Right to Buy (Discount)	681,863	17	40,109	948,845	24	39,535
Right to Buy (Lost Rental Income)	59,568	17	3,504	84,096	24	3504
Council Tax - Single Person Discount	22,020	55	400	16,625	40	416
Council Tax – Liability Increased	9,544	8	1,224	4,578	1	4,578
Council Tax -Reduction Scheme	6,132	6	1,022	27,587	19	1,452
Council Tax – Exemption Removed	629	1	629	2,903	4	726
Covid Business Grants (Invoiced)	50,000	5	10,000	90,000	9	10,000
Internal Fraud Expense Claim	450	1	450	0	0	0
Discretionary Housing Payments	0	0	0	150	1	150
Insurance Fraud	4,250	1	4,250	0	0	0
Care Costs	20,294	1	20,294	0	0	0
Totals	3,644,750	142	25,667	3,035,120	143	21,225

4.0 Key Risks and Mitigation of Implications

4.1 Overview of Fraud Types:

Housing Tenancy (HT) Fraud

The Corporate Fraud team have been involved in securing 30 tenancy terminations. The metric used for measurement is a notional value of £93,000 per property (as recommended by the Cabinet Office – based on an average four-year fraudulent tenancy and includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies) this is equivalent to £2.79 million of loss prevented/income and assets retained.

HT fraud is defined as: -

- subletting a property for profit to people not allowed to live there under the conditions of the tenancy or
- providing false information in the housing application to gain a tenancy or
- wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant or
- failing to use a property as the principal home, abandoning the property or selling the key to third party

The council has a significant number of people on the housing waiting list currently being housed in bed and breakfast accommodation. Housing Benefit and Universal Credit payments do not cover the full cost of this outlay and so the excess amount has to be met directly by the council. These costs can be reduced by dealing robustly with tenants (and potential tenants) who make false representations or who fail to tell us their true circumstances so as to ensure that only those in genuine need receive this service.

Right to Buy (RTB) Fraud

As a result of the Corporate Fraud Team reviewing RTB applications we have prevented the purchase of 17 properties through improved scrutiny and in particular with regards to Anti-Money Laundering checks. This has led to a saving of £681,863 in RTB discounts. This lower amount compared to last year can be attributed to a reduction in the numbers of RTB applications.

When the council sells a property under the RTB scheme, whilst there is an immediate financial gain for the sale, there is also a loss in terms of:

- The RTB discount
- A rentable asset – an average of £3,504 per year (£73 per week x 48 weeks)
- One less property in the council housing stock which serves to add to the housing waiting list

Based on the average rental figure above, the 17 purchases prevented have also saved the council a projected loss in rental income of £59,568 per year.

Council Tax - Single Person Discount (SPD) Fraud

SPD is a scheme that allows single adult householders to claim a discount of 25% off their Council Tax bill.

We have identified £22,020 of over-claimed SPD where 55 residents have failed to declare to the council that they are no longer the lone adult occupier. In these cases, Council Tax

liability has been correctly re-established, overpayments repaid (or are being repaid) and future income secured.

Council Tax – Liability Increased

There have been 8 investigations this year which lead to an increase in the Council Tax liability of the charge-payer for their property. These are broken down to:

1 empty property charge being created of £1,491

1 discount being removed of £945

1 case of a false liability being created of £954

5 cases resulting in liabilities being created of £6,155

All of which have been correctly billed for a total of £9,545 plus the ongoing corrected liabilities for the future.

Council Tax Reduction Scheme (CTRS) Fraud

The CTRS gives a reduction to the amount of Council Tax payable based upon the personal circumstances of the applicant. This is means tested and the amount of the reduction varies between recipients, although in many cases it is a 100% reduction. The cost of this scheme is directly attributable to council funds.

Investigations have identified £6,132 of fraudulently underpaid council tax across 6 cases which has now been correctly recharged to the council tax payers.

Covid Business Grant Fraud

In response to Covid-19, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors. This took the form of two grant funding schemes, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. These grants were administered by local authorities and were payable depending if the business met the required criteria.

Investigations identified 5 final cases where the grant had been paid but were found to not be eligible for the payments. This has resulted in invoices being issued for their repayment amounting to £50,000.

Care Costs

Care costs are paid towards care needs and are means tested and the amount of assistance given by the Council varies based on the individuals needs and means. An investigation identified that one individual had received an excess amount of assistance with their care and was subsequently invoiced for the overpaid amount.

Internal Frauds

Internal fraud is an ever present risk within all organisations and the council is no exception. The Corporate Fraud Team have investigated a number of internal cases this year:

- **Expense Claim**

One case was investigated due to a suspicion of excess expense claims being made.

The findings of the investigation resulted in identifying excess claims to the value of £450 being made which was subsequently repaid.

- **Disciplinary Proceedings**

A further four cases were investigated by the Corporate Fraud Team in relation to internal fraud by staff which resulted in disciplinary proceedings or dismissal.

Cost v Savings

The Corporate Fraud Team has an annual gross budget of £234,000 for 2024/25.

The total financial outcomes can be broken down into three categories:

- **Notional Savings** - This figure consists of forecasted savings based on a national formula. Most of the savings quoted under this heading are in reference to Housing Tenancy Fraud as explained in 4.1 above. Part of this figure includes temporary accommodation costs of approximately £6,000 per case which are recorded separately under 'Cashable Savings'.
- **Cashable Savings** - This figure is a tangible saving that has been identified as a result of work done by CFT. This is actual money that would have otherwise been paid out. Much of this will be in the form of Right to Buy discounts.
- **Monies Payable/Repaid** - Fraud proved and an accurate figure has been attributed to the amount of money lost to the council as a result of the fraud. The perpetrator is required to pay this back to the council. This is actual income that will, or already has, come back to the council. This overall figure will also include other income such as charges for investigation work conducted for other organisations as well as court costs as a result of our own successful prosecutions.

Based on the above definitions, the figures for each category are as follows:

- **Notional Savings Total - £2,669,568**
 - Housing Tenancy Fraud - £2,610,000
 - Right to Buy lost rental income - £59,568
- **Cashable Savings Total - £866,113**
 - Right to Buy discounts not granted - £681,863
 - Temporary Accommodation - £180,000 (Included in the Housing Tenancy Fraud at 3.1)
 - Insurance Claim - £4250
- **Monies Payable/Repaid - £109,069**
 - Council Tax Reduction Scheme - £6,132
 - Council Tax Liability Increased - £9,544
 - Council Tax Exemption Removed - £629
 - Single Person Discount - £22,020
 - Covid Business Grants invoiced - £50,000
 - Care Costs - £20,294
 - Internal Fraud Expenses - £450

4.2 National Fraud Initiative (NFI):

The NFI was established as a regular (biennial) data matching exercise. The project is co-ordinated by the Cabinet Office and as the name suggests, is carried out on a national basis with the vast majority of the UK's local authorities taking part.

Data is provided by some 1,300 participating organisations from across the public and private sectors. The aim is to identify possible cases of fraud and error within public bodies including local authorities, central government and the NHS by matching data sets from all organisations against each other to identify anomalies.

Matches have been received and relate to a number of teams including Council Tax, Housing, Revenues, Benefits, Payroll, Concessionary Travel, Blue Badge/Parking, Right to

Buy and Finance and will continue to be examined by the relevant teams over the course of this year.

The exercise is mandatory but it can give an excellent return in terms of identifying fraud and error if resources are allocated.

4.3 Ongoing Projects

Spot the Cheater - Fraud Awareness Campaign

In 2012, the CFT embarked upon a fraud awareness campaign designed to educate the citizens of Stoke-on-Trent about the risk of fraud, the different types of fraud that affect the council and to encourage people to tell us about their suspicions of fraudulent activity.

It was an extremely successful project. It not only achieved its aim of raising awareness and increasing the number of referrals of potential fraud made to the CFT but it also resulted in nationwide recognition to the point where we were able to sell the campaign materials to other local authorities for their own campaigns. As a result of this success the council won two national awards.

Raising awareness for the public is a key part in building an effective anti-fraud culture and this project is one of the best tools we have to help us achieve this. We have already seen a significant increase in referrals from the public and it is highly likely that is because of this campaign. Further advertising is being considered for this year.

Staffordshire Counter-Fraud Partnership

Fraudsters don't recognise local authority boundaries and so those operating in Stoke-on-Trent may also be active in other areas throughout Staffordshire. Therefore, it makes sense for all authorities across the county, to use their counter-fraud resources in a more joined up approach to tackling fraud across the whole geographical area. This is the purpose of developing the Staffordshire Counter-Fraud Partnership (SCFP).

In July 2021, the first full meeting of SCFP went ahead and partners agreed a way forward in terms of participation and activity. This includes the use of the SCFP logo in correspondence, the SCFP web address for referrals, Spot the Cheater marketing and the use of joint news releases.

In December 2021 the Staffordshire Chambers of Commerce joined the partnership to help raise the awareness of fraud for the 4,500 SME's they work with and another Housing Association – Stoke-on-Trent Housing Society also joined. We are currently working with the Chambers of Commerce to develop Spot the Cheater materials specifically for them and SME's.

The full membership of SCFP is now:

- City of Stoke-on-Trent
- Newcastle-under-Lyme Borough Council
- Stafford Borough Council
- Staffordshire County Council
- Staffordshire Moorlands District Council
- Tamworth Borough Council
- Lichfield District Council
- Cannock Chase District Council
- South Staffordshire Council
- Aspire Housing
- Staffs Housing
- Epic Housing

- Stoke-on-Trent Housing Society
- Staffordshire Chamber of Commerce

Although this project started out with the intention of being ‘council-centric’, it has quickly been realised that by bringing together a wider range of organisations from all sectors, then the overall objective is likely to be achieved more quickly and more effectively. Fraudsters don’t care who they target so it’s clear that all sectors need to stand together.

This a very exciting and progressive project and will to be able to make an impact across the whole region in terms of tackling fraud and making Staffordshire a ‘no-go’ area for fraudsters.

The Staffordshire Counter Fraud Partnership continues to meet, with the next meeting being scheduled to take place in September 2024. The aims for the SCFP now are to promote and identify best practice across all members and to inform other members of any trends which have been identified in an effort to reduce the risks of fraud and loss for all members.

5.0 Conclusion and Reasons for Recommendations

- 5.1 Further updates on the activities of the council’s counter fraud arrangements will continue to be provided to this Committee on a twice yearly basis.

6.0 Other options considered and reason for rejection

The following options have been identified and rejected for the reasons as set out below:

- 6.1 Failure to adopt an anti-fraud culture and having no Corporate Fraud Team would result in a massive financial risk and losses to the council.

7.0 Implications

7.1 Financial Implications

- 7.1.1 A strong counter fraud function is key to protecting council assets and resources. The work referred to within the above report has been carried out within the approved budget for the team. The resulting cost of individual investigations will be managed in conjunction with the services involved.

7.2 Legal Implications

- 7.2.1 Under Section 151 of the Local Government Act 1972 every local authority is required to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Currently, the Director of Strategy & Resources (Section 151), is responsible for delivering these duties, including the prevention and detection of fraud.

8.0 Other Implications

8.1 Human Resources

- 8.1.1 There are no Human Resources implications associated with his report.

8.2 Equalities Impact (Equality Act 2010)

- 8.2.1 An Equality Impact Assessment is not required for this report.

8.3 Social Inequalities Impact

8.3.1 The proposals set out in this report do not impact on social inequalities, including issues relating to poverty, social exclusion or health.

8.4 Environmental Impact

8.4.1 The proposals set out in this report will not impact on the environment.

Report Information

Wards affected: No ward implications

Links to Council Priorities - Our City, Our Wellbeing

Building empowered communities, safe from the threat of harm.

Having a strong, proactive fraud function which communities can call upon to address and investigate issues of fraud and impropriety.

Tackling inequality and improving life chances for everyone

The council is committed to maximising the funds available to deliver quality services to those in genuine need and the prevention and detection of fraud; as well as the appropriate sanctions against fraudsters, ensures that scarce resources can be deployed as intended.

Type of Decision: For information

Background Papers: None

Appendices: None