



Stevenage Borough Council Shared Anti-Fraud Service Report September 2016

Recommendation

Members are recommended to:

Note the Shared Anti-Fraud Service year-end data for 2015/16

Note the progress of the Shared Anti-Fraud Service in delivering the Council Anti-Fraud Action Plan 2016/17.

Note the anti-fraud activity undertaken to protect the Council

Introduction

This is the first report for the Councils Audit Committee providing progress against the Councils published Anti-Fraud Action plan adopted by this Committee in May 2016. The Committee are asked to note and comment on the progress, SAFS activity, against Plan for 2016/17.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally 2016–2019 Strategy produced by CIPFA in March 2016 and supported by CLG. The new Strategy estimates annual fraud losses in local government at around £2.1bn.

UK Annual Fraud Indicator produced by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in local taxation or care services).

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Appendices.

1. SAFS/SBC Anti-Fraud Action Plan 2016/2017-



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Document

2. Summary of Progress against Plan 2016/2017-



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1. Background

- 1.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), Cabinet Office, and the private sector it is agreed that fraud loss across local government in England exceeds £2.billion each year with some very reports indicating levels considerably above this .
- 1.2 The Cabinet Office, Department for Communities and Local Government, NAO, and CIPFA have also issued guidance, advice, and best practice to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.
- 1.3 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 Stevenage Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members received a detailed report in September 2015 about the creation of SAFS and how this service would work closely with the Shared Internal Audit Service (SIAS) in a two year pilot. SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution working with staff at all levels.

2. Year End Position 15-16

- 2.1 The following data breaks down the financial benefits to SBC of the SAFS activity in 2015/16 and details the types of savings associated with the work of the Service and the related amounts:

a) Fraud Loss

This is the actual value of identified fraud that SBC could invoice for, if it chooses to; It includes:

- Housing Benefit
- Council Tax Reduction Scheme
- Single Person Discount cases where invoices are automatically issued
- Housing Fraud

For 2015/2016 fraud loss totalled **£146k** and is broken down as follows:

- Housing Benefit - £10.6k
- Council Tax - £135.4k

Note: for tenancy fraud - £83k is included in ongoing compensation cases.

b) Cashable Savings

This is the sum of money not paid out as a result of investigations or it represents 'future revenue' in the case of re-billing for Council Tax.

For 2015/2016 cashable savings were **£76.5k**.

This is broken down as follows:

- Right to Buy discounts prevented - £66k
- Council Tax rebilling - £10.5k

c) Non-Cashable Savings

This is the sum of prevented loss calculated by the ongoing misuse of SBC Homes.

For 2015/2016 non-cashable savings were **£108k**

2.2 SBC has also benefitted from the award of costs for cases brought by its Legal Team and awards of Civil Penalties for Council Tax and Council Tax Reduction Scheme fraud matters. The total for these is small in 2015/2016 standing at just under £5k.

2.3 In 2015/2016 SBC contribution to SAFS was £60k and this investment delivered:

- £92k direct cashable income
- £83k collectable income from compensation awards
- A further £160.4k in savings/loss.

3. SAFS Activity

Staffing

3.1 The SAFS team is composed of nine staff based at the County Council offices in Stevenage.

3.2 Each SAFS Partner receives dedicated support and response from the Team. At present the most effective way to do this is by allocating one officer to work exclusively each Partner. This officer acts as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.

3.3 For Stevenage Council, Paul Taylor is the SAFS Senior Counter Fraud Officer (SCFO) working with the Council. Paul is a fully accredited criminal investigator with more than 25 years' experience working in both the public and private sector. Paul is supported by intelligence officers working for SAFS, a financial investigator working for Trading Standards, service specialists working for the Council, local policing staff based at Stevenage Police Station, and legal staff from both Stevenage Council and the County Council.

3.4 Due to the success of SAFS in identifying 'tenancy fraud' as one of the highest value risks of fraud to district councils in the Partnership, Stevenage Council has appointed its own in-house Tenancy Fraud Investigator to work alongside SAFS assisting with this new area of work. Housing Management Team were involved with the selection and training of this officer with SAFS support. The officer is employed and managed by the Council but their work load is managed by SAFS and this process is working well.

Fraud Awareness and Reported Fraud

- 3.5 One of the key elements of a successful service is for SAFS to ensure that fraud can be reported by both staff and the public. The Council's website and intranet both have options for the public and staff to report suspected fraud and these link to the SAFS webpage.
- 3.6 The SAFS webpage – www.hertsdirect.org/reportfraud includes an online reporting tool and is being further developed as part of the County Councils new website. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertscgcsx.gov.uk. These contact details have been added to Stevenage Councils own website. None of these functions replace the Councils own in-house Whistleblowing reporting procedures.
- 3.7 Between April & August 2016, SAFS received 50 allegations of fraud relating to Stevenage Council. The service also carried forward 56 live cases from 2015/2016. The details of reported fraud at Stevenage Council are shown in the tables below.

Table 1. Types of fraud being reported (*in year*):

Council Tax Discount Fraud	Council Tax Support Fraud	Housing Fraud*	Other Fraud	Total
9	31	9	1**	50

** for Stevenage Borough Council 'Housing Fraud' relates to all alleged fraud affecting its own stock.*

*** this matter relates to Business Rates Avoidance.*

Table 2. Who is reporting Fraud (*in Year*)?

Fraud Reported by Staff	Reports from Public	Data Matching	Other	Total
33	13	4	0	50

Table 3. Outcomes of cases closed (*includes cases carried fwd from 15/16*):

Closed No Action Required	Referred to Another Agency	Closed Fraud Proved/ Advice Provided	Closed Fraud Not Proved	Total
30	1	9	5	45

Table 4. Status of cases still under investigation (*includes cases carried fwd*):

Pre-Investigation Checks	Pending Investigation	Live Investigations	Pending Decision	Total Live Cases
22	14	15	10	61

- 3.8 The number of cases closed as 'No Action' is high at present as SAFS are working with Council staff to ensure the quality of referrals passed for investigation results in high value matters being prioritised.

- 3.9 Of those cases closed with a positive outcome five people received Council Tax Civil Penalties for false discount or application fraud as well as having to pay back the discounts falsely claimed. The ten cases pending decisions including 3 possession orders to secure Stevenage Council homes that are being misused and 5 prosecution cases.
- 3.10 In the first quarter of 2016/2017 SAFS recorded fraud loss & savings across the Partnership of £605k. For Stevenage Council fraud losses of £221k and savings resulting from prevention totalling £130k were identified.

Pilot Projects

- 3.11 SAFS have worked with the Council's local taxation team to identify potential fraud around discounts and exemptions. The Council is now able to level civil and financial penalties for false claims for discounts and exemptions and has started to do so where appropriate and in line with the Prosecution and Sanctions Policy.
- 3.12 SAFS have arranged specialist free training events for staff, in areas including Anti-Money Laundering, Business Rates Avoidance and Housing Fraud. SAFS also now deliver fraud awareness training to all new staff as part of their Induction to the Council.
- 3.13 SAFS are leading on the procurement of a county-wide data matching exercise to identify fraud in Council Tax, particularly around fraudulent discounts and exemptions, empty homes, and council tax support schemes. This will be introduced in the late summer of 2016 for all districts, and will be funded by HCC and all participating districts.
- 3.14 SAFS are leading on the National Fraud Initiative submissions to the Cabinet Office for the Council this year and will be assisting with the data upload for this in October 2016 with results being produced in February 2017.
- 3.15 SAFS were able to recover five council homes that were being unlawfully used and stopped one fraudulent 'Right to Buy' application valued at £50k.

4. Progress against the 2016/2017 Anti-Fraud Action Plan

- 4.1 The Council has in place an Anti-Fraud and Corruption Policy, This strategy lays out the Council's position, and includes advice to Members, senior officers and staff about how to deal with identified fraud. This document pre-dates SAFS and will be reviewed in 2016 but at present it meets the best practice guidance from CIPFA.
- 4.2 A copy of the 2016/2017 Anti-Fraud Action Plan, approved by this Committee in May 2016, is attached at Appendix 1. The Action Plan covers all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its own responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. The Plan also includes assurance that it benefits from a positive return on its investment from the SAFS Partnership.
- 4.3 A copy of progress against the plan is shown at **Appendix 2**. At present all milestones and/or targets are being met or on course for delivery and there are no significant issues outstanding.

- 4.4 SAFS will provide a final report to this Committee in March 2017 on the performance against the Anti-Fraud Action Plan for 2016/2017 and a proposed Action Plan for 2017/2018. This will then form a rolling programme from 2017 onwards.