



## Stevenage Borough Council 2017/2018 Anti-Fraud Report

June 2018

### Recommendation

Members are recommended to:

Note the work of the Council and the Shared Anti-Fraud Service in delivering the *Anti-Fraud Action Plan 2017/18*.

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## **Introduction**

This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's Anti-Fraud Action plan for 2017/2018. The Committee are asked to note this work.

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 finding 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 (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
- CIPFAs *Fraud and Corruption Tracker 2017* indicates that identified fraud had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk of fraud.
- The Central Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

## **1. Background**

- 1.2 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector; fraud risk across local government in England exceeds £2.billion each year with some more recent reports indicating levels considerably above this.
- 1.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice, and best practice guidance 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 sufficient resources in counter fraud activities that deliver savings.
- 1.4 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.
- 1.5 The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members have received detailed reports about the creation of SAFS and its progress and how this service works closely with the Shared Internal Audit Service. SAFS works across the whole Council dealing with all aspects of fraud from deterrence & prevention to investigation & prosecution

## **2. SAFS Activity 2017/2018- *Delivery of the 2017/18 Anti-Fraud Plan***

### Staffing

- 2.1 In March 2017 this Committee approved the 2017/2018 Anti-Fraud Action Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See Appendix B for details of the 2017/2018 Plan.
- 2.2 For 2017/2018 the SAFS Team was composed of fourteen accredited and trained counter fraud staff based at Hertfordshire County Council's offices in Stevenage. Each SAFS Partner receives dedicated support and response from this team. SAFS allocate officers to work in each Partner. These officers act 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.
- 2.3 In 2017/18 SAFS deployed one Counter Fraud Officer to work at Stevenage Borough Council. This officer was supported by SAFS Management and its Intelligence Team based at Stevenage. The Council also has its own in-house Tenancy Fraud Investigator and this officer is also supported by SAFS but line managed through the Council.

SAFS KPI for 2017/18 & Performance

KPI	Measure	2017/2018 Target	Achieved in Year
1	Provide an Investigation Service	1 FTE on call (supported by SAFS Intelligence/ Management). Support SBC Housing Investigator Membership of NAFN Membership of CIPFA Counter Fraud Centre Local Data Access Fraud training events for staff	1.5 FTE on site. Support for SBC Officer to achieve local targets. <b>Membership of</b> <ul style="list-style-type: none"> <li>• CIPFA Counter Fraud Centre,</li> <li>• National Anti-Fraud Network</li> <li>• Data-Access agreement in place</li> <li>• Police National Legislation Database</li> </ul>
2	Identified Value of Fraud prevented/detected	£400,000	<ul style="list-style-type: none"> <li>• £418,000 Fraud losses</li> <li>• £105,000 of fraud savings identified.</li> <li>• £21,000 HB Subsidy</li> <li>• £1,000 in fines</li> </ul>
3	Allegations of fraud Received from all sources	100	189 Allegations from all sources
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	46% (27 Cases proved from 59 investigated)
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output.	<ul style="list-style-type: none"> <li>• SAFS Data Sharing Agreement reviewed 2018.</li> <li>• SAFS undertook NFI 2016/17 process for the Council.</li> <li>• SAFS funded the procurement of software to assist in detecting tenancy fraud (I-Latch and Housing Partners).</li> </ul>

*For the Council 'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped. For Stevenage this includes social housing that has been misused through sub-let or non-occupation or fraudulent Right to Buy (RTB) applications that have stopped*

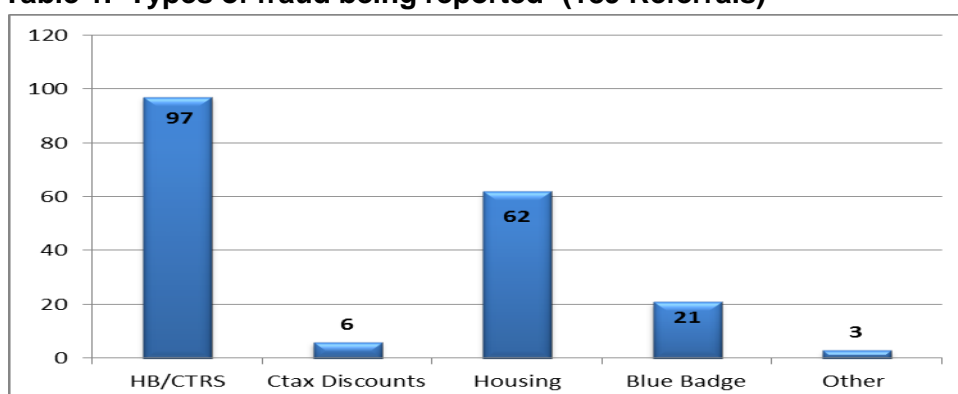
### Fraud Awareness and Reported Fraud

- 2.4 One of the key aims for the Council is to create an 'Anti-Fraud' culture, that will deter fraud; encourage senior managers and Members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on the Council and to report fraud where it is identified.
- 2.5 The SAFS webpage – [www.hertfordshire.gov.uk/reportfraud](http://www.hertfordshire.gov.uk/reportfraud) includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – [fraud.team@hertscc.gcsx.gov.uk](mailto:fraud.team@hertscc.gcsx.gov.uk). These contact details have been added the Councils own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or can contact the SAFS officers working at Stevenage.

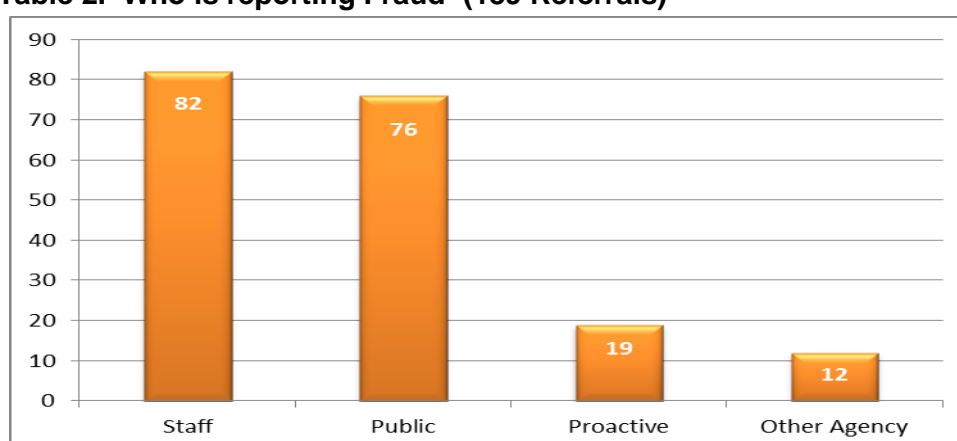
### Counter Fraud Activity

- 2.6 During 2017/18 SAFS received 189 allegations of fraud affecting Council services.

**Table 1. Types of fraud being reported- (189 Referrals)**



**Table 2. Who is reporting Fraud- (189 Referrals)**



- 2.7 At the time of this report many cases raised for investigation are still in the early stages. However, of 59 cases investigated and closed in the year fraud losses of £418,000 and fraud savings of £105,000 were identified. This is the estimated value of losses and these monies, where applicable, will then have to be recovered where it relates to housing benefit overpayments, or council tax liabilities.

**'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.**

See **Appendix B** for a breakdown by service area where fraud has been identified.

See **Appendix C** for a report, to SAFS Board in June 2017, on how financial values are captured to assess fraud loss and savings.

- 2.8 As well as the financial values identified SAFS has assisted the Council's Tenancy Fraud Investigator in the recovery of 10 Council properties that were subject to tenancy fraud, and prevented two fraudulent 'Right to Buy' applications.

**Case 1:** *In 2017 two residents from the Old Town were found guilty of fraud at Stevenage Magistrate's Court for trying to fraudulently succeed to their late mother's Council tenancy. The case was investigated following an allegation and revealed that the residents had lied on their succession application and they hadn't been resident for a number of years at the late mothers address. During an interview they denied the offence but later pleaded guilty. The three bedroom property was returned to SBC, the subjects were excluded from the housing register, fined and ordered to pay the Councils court costs*

**Case 2:** *Following an application for the right to buy their Social housing home from a tenant in the Chells area, numerous visits were carried out unannounced and announced but the subject was never seen. An investigation included details utility bills and it was found the tenant had not had any usage during the previous 3 year period. Other enquiries suggested the tenant lived elsewhere. The subject was interviewed at the council offices and later withdrew his Right to Buy application and handed his keys in along with a termination notice.*

- 2.9 SAFS completed the delivery of a framework contract for all councils in Hertfordshire to use of to conduct bulk reviews of council tax discounts and exemptions to improve review collection and prevent fraud. These services are provided with a split in costs between Hertfordshire County Council, the Police and Crime Commissioner and Hertfordshire's District and Borough councils (matching council tax precepts).
- 2.10 Parking Enforcement Officers, employed as part of the shared arrangement with Welwyn and East Herts Councils, continue to work closely with SAFS to bring prosecutions for persistent abuse of Blue Badges in the Council's car parks. This relationship is further enhanced by the Councils Legal Service being shared with the County Council. This partnership approach resulted in two prosecutions for Blue Badges abuse. In both cases guilty pleas were entered and the Council was awarded more than £1,400 in court costs in addition to fines handed out to the offenders.

**Case 3:** *A Stevenage woman, who was reported as parking her car in a disabled parking bay at a town centre carpark for several months, was identified as part of a routine check along with the Councils Parking Enforcement Officer. The lady claimed that the Blue Badge she had been displaying belonged to her grandmother who she had just brought into town, although she was not with her at the time. Further enquiries, which included speaking to the ladies grandmother, revealed that misuse of the Blue Badge had been going on for some time without the holder's knowledge or permission. The lady appeared at Stevenage Magistrates where she pleaded guilty to misusing a Blue Badge and was fined £200 and ordered to pay the Councils costs.*

- 2.11 SAFS has worked with the Council's Revenue Service 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 where appropriate following a review of its Fraud Prosecution and Sanctions Policy. Three such sanctions were applied in 2017/18 and one case referred for prosecution, six further cases were pending prosecution at the end of March 2018

**Case 4:** *A Stevenage woman who had claimed benefits for several years as a single person submitted an application to buy her council house. Checks conducted into her mortgage application revealed that the lady had been living with her partner for some years and that he was in full time work.*

*These facts had never been reported to the Council.*

*Further checks by SAFS revealed that the lady's partner had been living with her since 2006 and as a result she had been overpaid £21,000 in housing benefit and council tax benefit. The lady was prosecuted by the County Councils Legal Team and received a 7 month prison sentence suspended for 18 months, she was also ordered to repay all the monies falsely claimed from the Council.*

- 2.12 In addition to Housing Benefit 'Loss,' which can recovered in full through civil and legislative routes, the Council will also receive an additional 40% subsidy from the DWP for identifying and seeking to recover these losses. This additional subsidy will be in the region of £21k (40% of the £54k loss) for 2017/2018.
- 2.13 SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes such as Council Tax Support or Housing Benefit and national schemes such as Income Support and Job Seekers Allowance or Universal Credit.
- 2.14 SAFS have arranged specialist free training events for staff, covering areas including ID fraud and application fraud. SAFS are working with HR on delivery of an e-training package for staff and Members which will be linked to the Councils policies and fraud reporting tools to raise awareness of fraud as a risk.

**Case 5:** *In the late summer of 2017 the Council was the victim of a scam involving the fraudulent use of stolen credit cards details to pre-pay for business rates and then claiming a refund on the payments made. The matter was reported to SAFS and a report sent to Action Fraud. An alert was issued to all staff about this type of fraud and additional training and support provided by SAFS at the time.*

*Unfortunately this type of fraud is prevalent and staff must remain vigilant at all time to this before payment or refunds are made. SAFS regularly issue newsletters and updates as new threats arise to raise staff awareness.*

- 2.15 SAFS ensured the Council's compliance with the requirements of the National Fraud Initiative (NFI) for the matches received in February 2017. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.

### 3. Transparency Code- Fraud Data

- 3.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
- 3.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/118508/strategy-document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf)).

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

([http://www.cipfa.org/-/media/files/topics/fraud/cipfa\\_corporate\\_antifraud\\_briefing.pdf](http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf))

- 3.3 The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Borough Council for 2017/18 is in **Bold**:

- 3 Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

**Nil. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and use the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.**

- 4 Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

**2.5 FTE**

- 5 Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

**2.5 FTE**

- 6 Total amount spent by the authority on the investigation and prosecution of fraud.

**£140,000**

- 7 Total number of fraud cases investigated.

**59 Cases investigated and closed in year**



3.4 In addition, the Code recommends that local authorities publish the following (*for Stevenage Borough Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

**See 7 above**

- Total number of occasions on which a) fraud and b) irregularity was identified.

**27 (87 cases remain under investigation)**

- Total monetary value of a) the fraud and b) the irregularity that was detected.

**£105,000 of fraud losses & £418,000 of fraud savings/prevention identified in year.**

- Total monetary value of a) the fraud and b) the irregularity that was recovered.

**Not recorded.**

## **Appendices**

- A.** SAFS/SBC Fraud Plan 2017/18.
- B.** SAFS/SBC Fraud Stats 2017/18.
- C.** Briefing Paper to SAFS Board on financial values.