

Cheltenham Borough Council

Audit, Compliance and Governance Committee

22 October 2024

Counter Fraud and Enforcement Unit Report

Accountable member:

Cabinet Member Finance and Assets, Councillor Alisha Lewis

Accountable officer:

Paul Jones, Deputy Chief Executive (S151 Officer)

Ward(s) affected:

All indirectly

Key Decision: No

Executive summary:

The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.

Work plans are presented detailing progress and results for consideration and comment as the body charged with governance in this area.

Recommendations:

That the Audit, Compliance and Governance Committee:

Considers the report and comments on the report.

1. Implications

1.1. Financial, Property and Asset implications

The report details financial savings generated by the Counter Fraud and Enforcement Unit.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy S151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.2. Legal implications

In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

The Authority is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.

Signed off by: One Legal, legalservices@onelegal.org

1.3. Environmental and climate change implications

Not applicable.

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Being a more modern, efficient and financially sustainable council

1.5. Equality, Diversity and Inclusion Implications

The promotion of effective counter fraud controls and a zero-tolerance approach to internal misconduct promotes a positive work environment.

The CFEU seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.

2. Background

- 2.1. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or a Councillor.
- 2.2. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate priorities and community plans.
- 2.3. The Audit, Compliance and Governance Committee oversees the Council's counter fraud arrangements, and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 2.4. Work plans have been agreed with the Director of Finance and Assets, the Director of Governance and Customer Services and members of the Councils Senior Management and details relating to work delivery are presented in this report to Audit, Compliance and Governance Committee, as the body charged with governance in this area.

The work plan for 2024/25 includes a focus on fraud risk mitigation regarding grant schemes and polygamous working as high-risk areas. This work will include both prevention and detection activities.

3. Reasons for recommendations

- 3.1. The CFEU Head of Service forms part of the core Multi-Agency Approach to Fraud (MAAF) group. The core group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, NHS and colleagues from Gloucester City and County Councils. The MAAF has been set up to discuss fraud trends, victim care and communication of fraud scams across Gloucestershire. Through collaborative working the main purpose is to raise awareness to minimise and disrupt fraud. The CFEU Head of Service has also joined the Thames Valley MAAF Group, representing West Oxfordshire District Council.
- 3.2. As previously reported, it has been agreed that the Gloucestershire MAAF will have a dedicated webpage. Funding of £5,000 was awarded by the Office of the Police and Crime Commissioner to support this. Tewkesbury Borough Council ICT team will be leading on this project however recent events related to the cyber incident mean this may be slightly delayed.
- 3.3. In relation to the Business Grant Schemes, as previously reported, the focus now relates to debt; recovery, reconciliation and transfer to the Department for Business and Trade (DBT). This work continues with an extended deadline of 31 December 2024. An update relating to this date has been requested so that the Council may review any debts outstanding that are the subject of current payment plans to ensure that should any payee default in the future, the Council is still able to transfer liability to DBT.
- 3.4. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
 - In relation to the 2022/23 data sets, results relating to the 979 Council Tax single discount anomalies were reported in April 2024.
 - 270 matches were received in relation to Council Tax Reduction Scheme and Housing Benefit claims. 208 have been reviewed to date resulting in 20 referrals to the Department for Work and Pensions.
 - 45 matches relate to internal data anomalies; all have been reviewed with only minor discrepancies being referred to HR regarding staff contact details.
 - 1,018 matches have been received in relation to housing and tenancy matters. This includes 526 referrals relating to a tenancy pilot which matches tenant details with new datasets such as Airbnb and Universal Credit to tackle key risks such as abandonment and subletting. Reviews are underway.
 - The team received 1,461 Council Tax related matches as a result of the 2023/24 data sets. These have also been reviewed. 135 enquiries have been made to residents requesting further information.
- 3.5. In addition to the review of single person discount anomalies identified by the NFI exercise, the CFEU and the Revenues Team are undertaking additional proactive work to review those households with a discount applied. Since 1 April 2023, 1,913 individual households have been contacted by email and 735 have been contacted by post to confirm occupation details. The team are now undertaking verification activity on a further 730 households to confirm eligibility for a discount. Since the last report to Audit, Compliance and Governance Committee, the team are

now reviewing 5,028 households to verify occupancy details. This is to provide a wider scope of results to inform future reviews. A report will be collated regarding results and information detailing the most effective method of review.

- 3.6. A review of the Housing Waiting List is underway. This includes verification of applications within Emergency Band (52 applications), Gold Band (78 applications) and Silver Band (592 applications). The review of the Emergency list has been completed, 13 recommendations have been issued to the Housing Team, results are pending. The Gold and Silver lists are under review. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £4,283 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed and housed more speedily.
- 3.7. Criminal Enforcement, Regulation of Investigatory Powers Act and Investigatory Powers Act refresher training will be delivered to all enforcement staff during the autumn. A rollout of this training with the addition of Housing and Tenancy Fraud awareness will be arranged for housing staff in the new year.
- 3.8. As part of the assurance activity relating to procurement fraud prevention, work has commenced on a review of small supplier payments. A data matching exercise has also commenced across the partnership in relation to awards of small business rates relief. Updates will be provided to in due course.
- 3.9. In addition to the strategic support and agreed annual work plan, as a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work. Since 1 April 2024 the team have received 71 referrals; 17 referrals were declined, and 25 matters were referred to the Department for Work and Pensions. The remaining referrals are being dealt with by the team.
- 3.10. The CFEU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations. Since 1 April 2024, the team have opened 6 cases, closed 2 cases and processed enquiries for the Department for Work and Pensions. Increased Council Tax revenue of £433 has been raised.
- 3.11. Following the approval of the updated Council Tax, Council Tax Reduction Scheme and Housing Benefit Penalty and Prosecution Policy, a refresher session will be held with the Revenues and Benefits staff to confirm processes and what matters should be referred to the team. In addition, work has now commenced to review all Council Tax Reduction Scheme (Council Tax Support) claims.
- 3.12. The CFEU continues to support the Council in tackling tenancy fraud. The overall remit is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms, but the two most significant areas are Right to Buy and Illegal Subletting. The CFEU will continue to work with the Council and social housing providers to tackle this effectively.
- 3.13. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain

information relating to an individual from organisations such as financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords. Since 1 April 2024, the team have opened 7 cases and closed 4 cases relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.

- 3.14. In addition, the team have received 195 verification requests regarding checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.
- 3.15. A Housing and Tenancy Fraud Policy was presented to Cabinet for approval in June 2024.
- 3.16. As a rough guide, the Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000. The formula considers:
- The annual average temporary accommodation cost per family for individual Councils (£12,100) multiplied by 3 being the typical duration of for one of these frauds = £36,300;
 - Add the average investigation costs (£1,300), average legal costs (£1,000) and the average void costs (£3,140)
 - = £41,740 approximated to £42,000.
- 3.17. In terms of our wider enforcement activity, since 1 April 2024, the team have opened 2 cases and closed 7 cases from teams across the Council. These resulted in the following:
- Work undertaken with the Environmental Health Team resulted in a successful prosecution relating to a failure to comply with a Control of Pollution Act Notice during the construction of the Lidl Store, Charlton Kings. The individual was found guilty in absence and received a Fine for £6,000 and was ordered to pay £4,835 costs.
 - Work undertaken with the Revenues Team resulted in the removal of an incorrect Council Tax discount. Increased Council Tax revenue totalling £179 was raised.

4. Alternative options considered

- 4.1. None.

5. Consultation and feedback

- 5.1. Work plans are agreed and reviewed regularly with the Director of Finance and Assets and the Monitoring Officer.
- 5.2. Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Governance Group and Executive Leadership Team for comment.

6. Key risks

- 6.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.
- 6.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to

greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

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Appendices:

- i. Risk Assessment

Background information:

N/A.

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	The authority suffers material loss and reputational damage due to fraud	Executive Director Finance and Assets	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Executive Director Finance and Assets	3	4	12	Reduce	Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing