

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE26 September 2019Report by Head of Communities, Revenues & ChangeNATIONAL FRAUD INITIATIVE - UPDATE**PURPOSE OF REPORT**

1. To provide an update on the National Fraud Initiative (NFI) in Scotland and the work being carried out by East Renfrewshire Council in 2018/19.

RECOMMENDATION

2. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2018/19.

BACKGROUND

3. Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise – the National Fraud Initiative (NFI). These exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4. These exercises are undertaken every two years and are linked to the statutory audits of the participating bodies.

REPORT

5. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets, which include the Electoral Register, HMRC information on pensions and income, Student Loans, immigration and Department of Work and Pensions (DWP) records.

6. The success of the NFI comes primarily from the public bodies who:

- Investigate the NFI data matches
- Identify and stop fraud and errors
- Recover overpayments
- Hold fraudsters accountable
- Improve their systems

7. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering such areas as Housing Benefit; Council Tax Reduction; Council Tax Single Persons Discount; Blue Badges; Housing waiting lists; Civic and Taxi Licensing; Private Supported Care Homes; Payroll and Creditors history. Each area

takes responsibility for comparing their own data sets and for subsequent recovery or follow up action as appropriate.

8. Within the Council 4,422 matches were reported in the 2018/19 NFI exercise with a potential value of fraud or errors of £95,360. After risk assessments, 100% of those indicated as high risks (1,965) and all Single Person Discounts (SPD) (1,006) were investigated – see Table 1. The remaining cases were categorised as medium or low risk and a sample of these cases were also investigated.

Table 1

Category	High	Medium	Low	Total
Care Homes	34	32	-	66
Council Tax Reduction	14	112	172	298
Blue Badges	182	44		226
Housing Benefit	48	1	188	237
Housing	23	-	5	28
Payroll	36	14	47	97
Waiting List	21	152	3	176
Creditors	1,607		681	2,288
Total	1,965	355	1,096	3,416
Single Person Discount (SPD)				1,006
				4,422

HOUSING BENEFIT & COUNCIL TAX REDUCTION

9. As part of the high risk review, 18 claimant errors were identified within Housing Benefit & Council Tax reduction, including one possible fraud. The 18 errors are valued at £18,045, with recovery action underway for £2,517 (the difference between the two figures is due to customers appealing the decision to create an overpayment). In line with guidance, the possible fraud was referred to the DWP for further investigation and possible prosecution.

10. Although full recovery of these debts can take a number of years, the Council's Corporate Debt Recovery Team pursue these cases through either long-term payment arrangements or by deductions direct through the Department of Work and Pensions, these arrangements are explained in the Debt Recovery Policy. In Housing Benefit cases where benefit is still in payment, identified overpayments are recovered from ongoing entitlement by prescribed rates of recovery.

11. Mitigating potential fraud across these areas is a matter for each service area and there are a number of roles across the Council that have specific remits to eradicate or reduce fraud taking place at source (e.g. Tenancy Enforcement Officers, Licensing

Enforcement Officer, Internal Audit) and all employees are encouraged through the Code of Conduct and Anti-Fraud and Bribery Strategy to report suspicions of fraud. In respect of Housing Benefit and Council Tax Reduction, robust verification of income at the point of claim greatly reduces fraudulent cases and this is confirmed with the NFI match which indicates that cases of fraud have arisen due to unreported changes in income that have occurred after the initial declaration.

COUNCIL TAX SINGLE PERSONS DISCOUNT

12. At this point in 2019/20 the Council has 11,702 live Single Person Discounts (SPD) granted against a Council Tax base of 39,114 households (30%). In monetary terms, this discount amounts to £4.1m per annum (excluding water and waste water).

13. The 2018/19 NFI data-matching exercise highlighted 1,006 cases where SPD had been awarded and may no longer be valid. Following further investigation with customers, this resulted in a cancellation of 168 SPDs, which equates to an annual saving in 2019/20 of £77,315 and prior year recovery of £21,135. Recovery for the prior year is lower as this can only be backdated to November 2018, when the electoral roll was published. In all cases, SPD was cancelled back to the appropriate date and retrospective Council Tax demands were issued and amounts are actively being recovered in line with Council Tax legislation.

14. To strengthen our approach, in advance of the next NFI exercise we will also carry out data-matching Council Tax SPD records against financial and banking records held by Experian. This will mean that in the 2019/20 financial year, the Council Tax database will have been robustly verified against up to date versions of the Electoral Register, together with banking, financial, credit card and mobile phone information for all East Renfrewshire dwellings in receipt of this discount.

FRAUD & ERROR SERVICE (FES)

15. Under national welfare reforms, the Department of Work and Pensions (DWP) set up a fraud and error investigation service (FES). The DWP FES team continue to protect the Council's interests and to mitigate our risk against Housing Benefit fraud.

16. Council and FES investigations into HB fraud can result in Housing Benefit Overpayment (HBO), the imposition of an administration penalty (i.e. half of the amount of the overpayment) or the potential for prosecution for HB fraud. So far in 2018/19 our fraud officer has referred 15 HBO cases to FES and these cases are ongoing.

OTHER RELATED INITIATIVES

17. The Benefits Section receives information on an ongoing basis via an electronic interface with HMRC called Verify Earnings and Pensions (VEPS). Through this interface, the Council is provided with employment and pension information for Housing Benefit (HB) claimants on an ongoing basis. Any new earnings (or new pension income) for those in receipt of HB is reported to our team through the interface, as are changes to earnings or pension levels. The functionality also allows our team to notify HMRC of new HB claims and within 48 hours of the claim being notified, ERC are supplied with the earnings and /or pension levels for the claimant. This facility assists with benefit processing, as there is less reliance on claimants to provide evidence of their income.

18. The Council is also a member of various networks which circulate and share information about potential scams and frauds. This information is shared routinely across services for learning and development purposes.

19. Audit Scotland also published their Fraud and Irregularity Update 2018/19 earlier this summer. This comprised various case studies covering various services in councils across Scotland. This has been shared with NFI contacts throughout East Renfrewshire Council.

NEXT STEPS

20. The NFI website will be available until February 2020 when the majority of investigations will be completed and all outcomes will be recorded and closed off in order that the Cabinet Office can calculate the total outcomes from the 2018/19 exercise.

FINANCE AND EFFICIENCY

21. While the recovery through the NFI exercise is relatively low at £23,652, the main benefit from carrying out the exercise is the reduction in ongoing fraud and the deterrent effect gained from regular data matching.

PARTNERSHIP WORKING

22. The follow up work carried out through the NFI exercise has been through partnership working with the following ERC teams; Housing Benefit & Discretionary Payments, Council Tax, Accountancy; Housing; Customer First; HSCP; C&CS Business Support; Payroll and Creditors.

CONCLUSION

23. East Renfrewshire Council has fully participated in the 2018/19 NFI exercise, investigating 1,965 matches identified as high risk and recovering £23,652 due to fraudulent or claimant error. The Council has a robust and effective approach to NFI, which is complemented by existing fraud prevention measures.

RECOMMENDATION

24. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2018/19.

REPORT AUTHOR

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BACKGROUND PAPERS

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 27 September 2018
- Audit Scotland, Fraud & Irregularity Update 2018/19, July 2019, https://www.audit-scotland.gov.uk/uploads/docs/report/2019/as_fraud_irregularity_1819.pdf