

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE23 September 2021Report 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 carried out by East Renfrewshire Council in 2020/21.

**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 2020/21.

**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.

5. Further work in this area is being highlighted to the Committee through the report on “Managing the risk of Fraud and Corruption – Fraud Response Statement 2020/2021”.

**REPORT**

6. 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.

7. 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

8. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering areas such as Housing Benefit; Council Tax Reduction; Council Tax Single Persons Discount; Blue Badges; Housing waiting lists; Civic and Taxi Licensing; Payroll and Accounts Payable (Creditors) history. Each area takes responsibility for comparing their own data sets and for subsequent recovery or follow up action as appropriate. Due to Covid-19 Private Supported Care Homes were not included in the 2020/21 NFI exercise.

9. Within the Council 3,026 matches were reported in the 2020/21 NFI exercise (2018/19 4,422). The decrease in matches of 1,396 is mainly due to Accounts Payable (Creditors) and Housing Benefit. Within Accounts Payable the new Integra Finance and Procurement ICT system was used in 2020/21 versus the eFinancials system in 2018/19. It has been identified that Integra Purchase to Pay has a more robust control environment, with the NFI matching exercise confirming that. Every high risk match (396) and all Single Person Discounts (SPD) (1,105) were investigated – see Table 1. The remaining cases were categorised as medium or low risk and a sample of these cases were also investigated.

10. It should be noted that Business Rates and Business Grants were included for the first time in 2020/21, with these exercises being run later. Data matches for Business Rates are for the Small Business Bonus Scheme and are being investigated by Renfrewshire Council (who administer Business Rates/Non Domestic Rates on behalf of ERC). The Business Grants data is awaited from NFI.

Table 1

<b>Category</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
Council Tax Reduction	8	122	219	349
Blue Badges	200	65	-	265
Housing Benefit	14		9	23
Housing	38		10	48
Payroll	15	4	33	52
Accounts Payable (Creditors)	91		1,063	1,154
Business Rates	30			30
<b>Total</b>	<b>396</b>	<b>191</b>	<b>1,334</b>	<b>1,921</b>
Single Person Discount (SPD)				1,105
				<b>3,026</b>

11. The majority of high risk matches relate to Blue Badges. These were mainly due to the badge holder being deceased or due to email addresses differing where the applicant was supported to complete their application. No significant issues were identified within these matches and all relevant updates have been processed.

12. Mitigating potential fraud across all 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.

### **COUNCIL TAX SINGLE PERSONS DISCOUNT**

13. In 2020/21 the Council has 12,198 live Single Person Discounts (SPD) granted against a Council Tax base of 39,514 households (31%). In monetary terms, this discount amounts to £4.5m per annum (excluding water and waste water).

14. The 2020/21 NFI data-matching exercise highlighted 1,105 cases where SPD had been awarded and may no longer be valid. Following further investigation with customers, this resulted in a cancellation of 202 SPDs, which equates to an annual saving in 2021/22 of a maximum of £77,499 – this figure may be revised downwards as more evidence from customers is received. (As a comparator, in 2018/19 the resulting saving was £95,360). SPD was cancelled from 1<sup>st</sup> April 2021 and retrospective Council Tax demands issued with amounts being actively recovered in line with Council Tax legislation.

### **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. Since we last reported in September 2020, there has been 1 new referral, with 2 previous referrals confirmed as requiring no further action.

### **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.

## **NEXT STEPS**

19. The NFI website will be available until February 2022 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 2020/21 exercise.

## **FINANCE AND EFFICIENCY**

20. The recovery delivered through Single Person Discounts will be up to £77,499 in 2021/22. While the recovery through the NFI exercise is relatively low, 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**

21. 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 Accounts Payable (Creditors).

## **CONCLUSION**

22. The Council has a robust and effective approach to NFI, which is complemented by existing fraud prevention measures. East Renfrewshire Council has fully participated in the 2020/21 NFI exercise, investigating 396 matches identified as high risk and recovering up to £77,499 in 2021/22 due to fraudulent or claimant error.

23. NFI has been a challenging exercise to complete this year due to ongoing workload pressures in teams caused by rising demands, new pandemic-related tasks and the ongoing transition between legacy and new ICT systems. As reported to Cabinet and Council recently, teams throughout the Council are experiencing backlogs which will have ramifications for performance measures across 2021/22. This is particularly true for the Revenues and Benefits Service. Service managers are taking all possible actions to recover, but the NFI exercise is a timely reminder that this needs done with care and attention, paying due regard to compliance to mitigate against fraud and error – this is a delicate balance but one where teams have demonstrated a good focus in this challenging year.

## **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 2020/21.

## **REPORT AUTHOR**

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## **BACKGROUND PAPERS**

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 24 September 2020

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